

# The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 179 Number 5312

New York 7, N. Y., Thursday, April 1, 1954

Price 40 Cents a Copy

**EDITORIAL**

## As We See It

*Vice is a monster of so frightful mien  
As to be hated needs but to be seen;  
Yet seen too oft, familiar with her face,  
We first endure, then pity, then embrace.*

The poet doubtless referred to transgressions of a moral or ethical order. The fact is, however, that precisely the same generalization applies with equal force to sins against financial or economic good sense. Nowhere is this latter truth more aptly exemplified in recent years than in our national policies with respect to agriculture. One of the publications of the Department of Agriculture has recently brought together a mass of financial data which the dispassionate reader can hardly interpret as revealing anything short of a political and financial outrage. Yet the likelihood is that it will cause no stir anywhere.

A processed volume "Agricultural Finance Review," published by the Production Economics Research Branch of the Agricultural Research Service of the United States Department of Agriculture, includes an article by a Mr. Frederick D. Stocker, entitled "Costs of Federal Programs to Stabilize Agricultural Prices and Income." We leave to the technicians any discussion of the adequacy of Mr. Stocker's accounting, that is to say whether all elements of cost have been included. For the purposes here in hand, his analyses appear adequate. At any rate, they are startling enough as they stand.

Mr. Stocker is naturally moved almost at the very outset to remark upon the want of cost data easily available to the public or even to the spe-

*Continued on page 30*

## Our Present Gold Policy Should Stand

By W. RANDOLPH BURGESS\*  
Deputy to the Secretary of the Treasury

Noting in recent years the link between the dollar and gold has been a basic stable relationship in an unstable world economy, Dr. Burgess says it is the U. S. Treasury's position that it would not be wise now to take the risk of allowing people here and abroad to draw down our gold reserve freely, dissipate it, and thus impair its strength. Warns raising of official price of gold would be a "hand-out" to Soviet Russia. Expresses opposition to opening a free gold market in the United States, but points to improvement in world economy and increases in foreign gold reserves as marks of progress towards it.

From the founding of our nation until 1933, with interruptions in time of serious war, the dollar was firmly attached to gold. The gold value of the dollar, established under Washington and Hamilton, was not changed, except fractionally, for over 140 years. The confidence in the value of the dollar which this helped instill in our people and the people of other countries was one of the foundations of the nation's spectacular economic success.



W. R. Burgess

All business life depends on the making of promises, commitments and their fulfillment. Lending and borrowing money, contracts to buy and sell goods and services, savings and investments all depend on confidence that money will keep its value. When this confidence is broken, as we have seen in so many countries, the economic life is disorganized and retarded. The solid link between the dollar and gold is a valuable heritage. Fundamentally, of course, the confidence of the people in their money

*Continued on page 40*

\*Statement by Dr. Burgess before the Sub-Committee on Federal Reserve Matters of the Banking and Currency Committee of the Senate, Washington, D. C., March 29, 1954.

## Common Stocks for the Individual Investor

By DAVID W. MCKNIGHT\*  
Research Partner of G. H. Walker & Co., N. Y. City

Mr. McKnight, commenting on the limited ownership of common stocks by individuals, cites as chief reasons therefor: (1) severe losses by holders in 1929-32 and 1937-38; and (2) poor merchandising of common stocks as investments. Lists as important reasons why people buy common stocks: (1) desire for profit-value appreciation, and (2) desire for income. Says we have a pretty solid background for being interested in common stocks both for income and appreciation, and favors "dollar averaging," along with purchase of "growth stocks." Gives lists of growth stocks.

Despite the secular uptrend of the American economy, the inflationary exchange of the gold standard for a managed currency 20 years ago, and the highly inflationary impact of two wars, common stocks are not the favorite investment of the individual. The most recent survey on the subject is the one conducted in 1953 jointly by the Board of Governors of the Federal Reserve System and The Survey Research Center of The University of Michigan which noted what it calls a "trend" toward common stock investment as a type of savings. And what was that trend? Well, it showed that 9% of those questioned preferred common stocks in 1953, whereas in 1949 the figure was a dismal 2%. In contrast, 38% favored savings bonds.



David W. McKnight

This one-out-of-ten preference for commons rather closely matches the findings of the Brookings Institution in its 1952 survey of actual share ownership. This indicated that one family in 10

*Continued on page 32*

\*Remarks of Mr. McKnight at the Alumni Home-Coming Conference of the Graduate School of Business Administration, New York University, March 20, 1954.

ON THE INSIDE—A glance at the index on page 3 vividly shows the wealth of information of vital importance to the securities industry, investors and businessmen which is available in the Thursday "Chronicle" every week throughout the year.

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(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

#### GORDON Y. BILLARD

Partner, J. R. Williston, Bruce & Co.  
New York City

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#### The Pure Oil Co.

(1) Few equities in the present market offer greater intrinsic value than Pure Oil.

(2) Proven underground reserves have been placed at 520 million barrels of crude and 3,700 billion cubic feet of natural gas.

(3) On a valuation of \$1 per barrel for light oil, 50 cents per barrel for heavy oil, and three cents per MCF for natural gas, plus net working capital and less all prior obligations, the balance remaining for the 4,067,596 shares of common stock outstanding is equal to about \$156 per share, or approximately three times present market prices. This calculation does not place any valuation on the company's extensive refining, marketing, and transportation properties, which are carried in the balance sheet at a depreciated figure equal to another \$35 per share.

(4) Total capital expenditures for the period from 1947 through 1953 have exceeded \$60 per share, or more than the present price for the stock. Practically this entire expansion program has been financed out of retained earnings plus cash realized from depreciation and depletion charge-offs. This means then that, at present prices, investors appraise the equity as not only being worth less than cash invested in the property in the seven-year period ended 1953 but that cash reinvested in the property in the years prior to 1947 and dating back to the inception of the company in 1895 constitutes a liability rather than an asset.

(5) Earnings last year were \$6.12, compared with \$6.17 reported for 1952. From 1946 through 1953 average annual net earnings per common share were \$6.48. During this same period nearly \$40 per share was added to earned surplus. Earnings for the final quarter of last year showed improvement over preceding quarters and were the best for any quarter of the year. Profits for the first half of 1954 are expected to be somewhat better than for the same period a year ago. With one of the two new catalytic cracking units put into substantially full-scale operation last fall and the other scheduled for completion early this year, an increase in gross dollar volume is anticipated in 1954. Moreover, natural gas sales should compare favorably with those of last year.

(6) More than two miles below the surface waters of the Gulf of Mexico, Pure Oil is tapping its rich pools of natural gas. Wells are drilled at various angles from central platforms such as the one in the Eugene Island area, nine miles off shore. This is believed to be one of the largest natural gas reserves discovered, to date, in the United States. Pure is a pioneer in offshore drilling which in the past three years has increased its total natural gas production by approximately two-thirds. From its offshore wells



Gordon Y. Billard

Pure Oil last year produced 29 billion cubic feet of gas. In 1954 production is expected to exceed 50 billion cubic feet. Following settlement of the tidelands oil dispute, the management stated its intention to proceed with full-scale development of its natural gas properties off the Louisiana coast. Exploitation of these large natural gas holdings should add importantly to earnings—possibly as much as \$3 per share per annum—within the next few years.

(7) Dividends have been conservative in relation to earnings. The present \$2.50 annual dividend has been paid in each of the past three years, while in the three preceding years the dividend rate was \$2 per annum. Working capital is adequate for present needs. With earnings from natural gas operations alone likely to expand sharply in the not too distant future, a higher dividend in due course is a reasonable expectation. Meanwhile, a satisfactory return is available from the indicated \$2.50 annual dividend.

(8) In time, the intrinsic values in Pure Oil common stock will become more widely recognized. The net value of Pure's crude oil underground reserves is more than twice the present price of the stock, so that the large equity in its natural gas reserves is obtainable without cost. Thus, the hidden values in its rich and extensive natural gas reserves stamp Pure Oil as a future "blue chip" natural gas equity.

#### DAVID NORR

Security Analyst, Bache & Co., New York City  
Members New York Stock Exchange and American Stock Exchange

#### Seaboard Oil

Seaboard Oil is a vehicle for capital gains within the oil industry. The company is engaged solely in producing crude oil and has no refineries or marketing facilities. For producers the return on investment can exceed that of refiners and integrated companies. Marketwise, the Standard and Poor's index of crude oil producers has outperformed integrated oil companies as well as industrials. There is nothing at present to indicate a change in this trend. In addition, the impact of a discovery can add significantly to the value of the shares, permitting the company to outperform the favorable industry trends.

Investors in oil shares tend to ignore producers while concentrating on the better known integrated companies. A rounded oil portfolio should embrace a dynamic producer. Seaboard Oil is my candidate.

Seaboard Oil has 1,219,423 shares of stock outstanding, of which The Texas Co. owns 32%. Finances are strong with about \$10 per share in working capital. No financing has been required since 1929 and none is foreseen. Generally producing companies can finance expansion from cash generated in operations. Dividends are \$2.50 per share, indica-



David Norr

tive of management's intent to plow earnings into additional exploration.

The accounting policies of the company differ from other oil companies and reported earnings cannot be compared readily. Neither is a price to earnings ratio meaningful, since Seaboard charges all intangible drilling and development costs to income and also writes off the cost of unproved lands annually. However, if we assume a theoretical profit of \$1 per barrel produced (a rough guide substantiated in other ways), Seaboard would show earnings of about \$10 per share. A price-earnings ratio of 11 to 1 for a dynamic issue does not appear excessive.

Cash earnings are generally computed to adjust for differences in accounting methods among oil companies. Cash earnings are the sum of net income plus depletion, amortization and intangible drilling expenses. Despite the recent advance of Seaboard from the 1952 low, the stock at current levels still remains one of the cheaper oil producers in terms of cash earnings. In terms of growth in production over the last few years the record of the company again is better than that of the average oil producer. On an appraisal basis, valuing reserves of oil and natural gas and including working capital, the shares again appear relatively undervalued.

Seaboard's experience in recent years was relatively disappointing with no significant discoveries reported, and this probably accounts for the reasonable price of the stock relative to its statistics. In

Continued on page 16

#### This Week's Forum Participants and Their Selections

The Pure Oil Company—Gordon Y. Billard, Partner, J. R. Williston, Bruce & Co., New York City. (Page 2)

Seaboard Oil Company—David Norr, Security Analyst, Bache & Co., New York City. (Page 2)

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## What's Ahead in Television And Appliances?

By DR. COURTNEY PITT\*  
Financial Vice-President, Philco Corporation

Stressing importance of instalment financing in expansion of television sales, Dr. Pitt pictures a favorable outlook for sales of television and appliances. Says economic well-being is more general than ever before, and the American economy is most liquid in all its history. Points out, however, television is a promotional product that requires strong merchandising and advertising to create demand. Looks for only a trickle of color television receivers on the market in 1954, but reveals air conditioning has been growing with a speed comparable to that of early days of television.

As representatives of instalment credit institutions of the country you have a great deal to say about the future of the television and appliance industries in coming months and years. A higher percentage of the sales of these products is being financed now than at any time since the war. The availability of a adequate time-payment facilities to the people of the country is essential to the widest possible enjoyment of the products of our industry and to the maintenance of a high level of employment and general prosperity. I should like here and now to pay tribute to the splendid job you are doing. You are entitled to just as much of the credit as the manufacturers, distributors, and dealers of the country for the accomplishments of the appliance industry and the contributions it has made to national well-being.



Courtney Pitt

Now what does the future hold for all of us? As you know, it is a fact that conditions are highly competitive in the television and appliance industries, but that is nothing new. That has been the normal state of affairs over the years—except for the era of shortages during part of the postwar period. Our own company, as well as many others, grew up under competitive conditions—that is what we are used to—that is what we are prepared for.

### Economic Well-Being More General Than Ever Before

The more I study the current American scene, the more I am impressed with the fact that an economic revolution has taken place in the last 20 years. I am thinking particularly of the extent to which the economic well-being of the great majority of people has been improved. "Life Magazine" has featured this subject, and Frederick Lewis Allen's book "The Big Chance" developed the subject at even greater length. As he pointed out, millions upon millions of families have risen out

of the \$2,000-or-under income class and the \$2,000-to-\$3,000 class and have climbed a bracket or two. These families—in cities and towns, and on the farms—have been lifted from poverty or near-poverty to a status where they can enjoy a better way of life—decent clothes, an automobile, a refrigerator, an improved kitchen and, in the last few years, a television receiver.

Millions of people, who would formerly have had no protection for their old age except the kindness of relatives, are now covered by social security, which in many cases is supplemented by pensions provided by the company for which they work. This puts them in a better position to spend their current income and enjoy the products of industry while they are still actively on the job.

Even after allowing for the reduced purchasing power of the dollar and today's higher tax burden, the average family is far better off than it ever was before.

### American Economy Most Liquid in History

The other general observation I would make has to do with the liquidity of the American economy. This is an aspect of our situation that is too often disregarded; and when we look back at this point in our economic life some years from now, I believe we will realize more fully than we do today what an important part it played in the course of business development.

The American economy today is the most liquid the world has ever seen. The liquid assets of the people of the United States totaled \$201.4 billion at the end of 1953. These included currency (\$21.6 billion); demand deposits (\$33.9 billion); time deposits (\$64.4 billion); savings and loan shares (\$21.4 billion); and U. S. Government securities (\$60.1 billion).

This is enough money to pay off all consumer credit outstanding (\$28.9 billion); pay for the entire production of the automobile industry this year (\$9 billion); pay cash for all the homes that will probably be built this year (\$10 billion); go to Wall Street and buy all the listed stocks on the New York Stock Exchange (market value of \$117.3 billion at the end of 1953); and still have about \$36 billion dollars left over!

So while there might be divided views as to whether the people of

Continued on page 34

## INDEX

### Articles and News

Articles and News	Page
Our Present Gold Policy Should Stand—Hon. W. Randolph Burgess.....	Cover
Common Stocks for the Individual Investor—David W. McKnight.....	Cover
What's Ahead in Television and Appliances—Courtney Pitt.....	3
Life Stock—Ira U. Cobleigh.....	4
State of Business Now—Martin R. Gainsbrugh.....	4
Stassen's London Mission Highlights East-West Headaches—A. Wilfred May.....	5
Defects of Our Irredeemable Currency System—Walter E. Spahr.....	6
Not Time for Return to Redeemable Currency—Hon. Wm. McC. Martin, Jr.....	7
New York City Banks Under Easy Money Conditions—Morris A. Schapiro.....	9
Business Cycles—Roger W. Babson.....	10
The Stock Market—Howard F. Vultee.....	10
Recession in Consumer Buying to End by Mid-Year—Charles T. Broderick.....	10
Investor-Owned Electric Utilities Can Do the Job—Walter H. Sammis.....	11
The Process of Revising Management-Labor Relations—Leo Wolman.....	12
The United Nations and Private Property Rights—Hon. Timothy P. Sheehan.....	13
Finance Company Loans in Bank Portfolios—Theodore H. Silbert.....	18
Getting the Maximum Tax Yield on Bonds Sold Before Maturity—L. William Seidman.....	20
Some Aspects of Open End Mortgages—John J. Mackey.....	20
Let's Have a Free Mortgage Market—Clarence J. Myers.....	24
Meeting Competition in International Trade—A. M. Strong.....	28
* * *	
In Memoriam for Louise Lindsay Mackay.....	13
Richard Spitz Contends Dividend Tax Relief Is Purely a Subsidy (Letter to Editor).....	14
Edwin T. Hughson Asks "Why Tax Dividend Income" (Letter to Editor).....	14
It's a Tax Reform—Not Tax Relief Bill, Says Guaranty Trust Co. "Survey".....	14
Olin Glenn Saxon Condemns Lack of Gold Standard.....	28
Purchasing Agents Report Industrial Business Decline Is Levelling Out.....	28
Merrill Lynch Puts Brokerage Business on Wheels Via Custom Built Buses.....	30
A. C. Monteith Reports on Construction of Electric Generating Atomic Reactor.....	31
"The Favorite Fifty" Stocks Held by Closed-End Trusts and Mutual Funds.....	32
Well Said, Senator! (Boxed).....	32

### Regular Features

Regular Features	Page
As We See It (Editorial).....	Cover
Bank and Insurance Stocks.....	41
Business Man's Bookshelf.....	48
Canadian Securities.....	*
Coming Events in Investment Field.....	8
Dealer-Broker Investment Recommendations.....	8
Einzig—"Britain and East-West Trade".....	22
From Washington Ahead of the News—Carlisle Barger.....	12
Indications of Current Business Activity.....	39
Mutual Funds.....	36
NSTA Notes.....	8
News About Banks and Bankers.....	22
Observations—A. Wilfred May.....	*
Our Reporter on Governments.....	35
Our Reporter's Report.....	41
Public Utility Securities.....	29
Railroad Securities.....	34
Securities Now in Registration.....	42
Prospective Security Offerings.....	45
Security Salesman's Corner.....	15
The Market . . . and You—By Wallace Streete.....	16
The Security I Like Best.....	2
The State of Trade and Industry.....	5
Washington and You.....	48

\*No column this week.

Published Twice Weekly  
**The COMMERCIAL and FINANCIAL CHRONICLE**  
Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers  
25 Park Place, New York 7, N. Y.  
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher  
WILLIAM DANA SEIBERT, President  
Thursday, April 1, 1954

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue—market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613);

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Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

### Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, \$48.00 per year; in Dominion of Canada, \$51.00 per year. Other Countries, \$55.00 per year.

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## Life Stock

By IRA U. COBLEIGH  
Enterprise Economist

**A much needed look at a medium quite neglected by investors, yet boasting a truly remarkable record for growth in assets and dividends.**

Life stocks are not for the common herd of investors. First, for the traditional seeker for a 6% return, life insurance shares will



Ira U. Cobleigh

exert no magnetism whatever; for average returns in this group just about keep pace with savings bank interest — and many companies yield less. Second, life stocks are not the volatile sort—they don't jump up and down very much on day to day trading; and they're not listed on the Exchanges. Thirdly, they're quite closely held and the typical investor here is not the sort who buys now for a capital gain, to be avidly realized six months hence. Fourth, most companies have a rather small number of shares. Fifth, the biggest companies in the business are all mutuals — Metropolitan, Prudential, Equitable Life, etc., owned by policyholders; and together the mutuals write over 70% of all life insurance. This is not to say there are no big stock companies, for there are — ones like Travelers, Aetna and Connecticut General. But generally, the ones you can buy stock in are among the smaller units in the industry.

Having duly recounted some of the reasons why, historically, life insurance investors have been few and far between, let me now enumerate some excellent reasons why that situation should, perhaps, be reversed. Life insurance companies treat with the most popular commodity in this country—money. Money never seems to go out of style, never has to be brought out in a new design or model each year, and is not likely

to be outmoded by wonder drugs, electronics or nucleonics! Life companies have one of the longest records of continuous dividend payment of any industry. If it's growth you're after, the rate of life insurance growth, especially in the past 20 years, has been fantastic; and when a life insurance company adds, year after year, to its book value, the resulting figure is not an accounting symbol for brick, mortar and machine, which must produce to be worth anything, but cash and marketable securities — assets not tinged with vanishing cream.

### A Growth Business

We mentioned growth. Well twenty years ago life insurance in force in the United States was around \$100 billion. Today it's over \$300 billion and growing every day—88 million people have life insurance. Most people don't have enough. A standard rule of thumb would suggest face amount ownership of three times one's annual income. This ratio would add a whopping amount to the insurance total, as today the average amount held by an individual is 1½ of annual income. Then, too, company and union pension and welfare funds call for expanding amounts of group life. Inflation has constantly increased the need for more life coverage, and, with high income taxes, often the only way to build a sizable estate is to load up on life insurance. Finally, life insurance sales are given terrific forward motion by our steady population increase, and the annual per capita income expansion, characteristic of the last 15 years. And not to be morbid, even the prices of funerals have gone up. A \$5,000 insurance policy today has a tough time paying for a lingering last illness and a mahogany casket, leaving little or nothing for relief or relative.

### Favorable Underwriting Results

Many factors, favorable to investors, are found in insurance company operation. First, in underwriting, the various mortality tables used are historical ones; they show statistically the number of mortalities at various ages per 1,000 occurring over a certain period of prior time. Premium rates are based on these figures, and reserves for death claims calculated upon them. But each year life expectancy is increased. More people are living longer and, barring atomic attack, the reserves of life companies tend to be continuously overstated—thus building up stockholder equity. About investments, life companies own the finest; and regulation by state commissions insures adherence to conservative investment practice. Average income from investments is now about 3.8%. Further, the underwriting profits of life insurance are not subject to Federal income tax, and while income from investments is taxable, at very low rate (6½%), capital gains are not. Finally, life insurance companies have rugged depression resistance qualities: (1) because they invest in senior securities, and (2) because people have a habit of paying life premiums through thick and thin. The doctor or painter may whistle for his money, but not the insurance company. People hate to drop life insurance—they might not be able to pass the medical next time! And in the meantime they might pass on.

### Powerful Leverage Factor

Little understood is the powerful leverage factor in life companies. This is not created, as in an ordinary corporation, by sizable chunks of prior securities, such as bonds or preferred shares, for life companies have only one class of security—common stock. Leverage is derived from that portion of company assets remaining after all reserves for policy claims, special reserves, etc., have been set up. Imagine a company with \$100 million in assets; and reserves, most conservatively arrived at, of \$90 million. That leaves stockholder equity (book value) \$10 million or say \$100 a share on 100,000 shares. A 3% increase in assets would thus advance per share book value to \$130. By this leverage, many companies have doubled or trebled book value in the past decade (after payment of cash dividends). The dynamics of this leverage have not been half appreciated.

### Some Attractive Companies

Perhaps further general chatter on life equities should now be suspended in favor of specific thumb-nail sketches of attractive companies.

Let's start off with Travelers. It has the largest amount of life insurance in force of any stock company, \$12.6 billion (non-participating) at 12/31/52. It is also a multiple line company writing auto, workmen's compensation and accident insurance. By a most conservative statement of assets, book value of Traveler's has risen from \$353.64 at the 1944 year-end to \$707.79 at 12/31/53. It advanced \$48.87 last year alone. There are 400,000 shares of Traveler's common outstanding. Recent quotations at \$1,000 a copy strongly suggest the possibility of a split, as few would latch on to a stock merely because of the indicated \$17 dividend rate (a 1.7% return). There was a 100% stock dividend in 1940. Travelers has not stopped traveling. Dividends since 1864.

Another fine company is Connecticut General Life Insurance Co. which built up its book value over 150% in the past 10 years. Company has over \$5 billion in force. Dividends here have been paid in every year since 1867, currently at the rate of \$2.20 a share. This is a minute enough distribu-

tion, on a stock selling at \$330. To appreciate this equity you have to keep history in mind. There was a 10 for 1 split in 1929, a 100% stock dividend in 1949 and the 600,000 shares outstanding now, look highly fissionable.

Lincoln National Life Insurance shares have been quite sought after, in recent months, partly perhaps out of recognition of the fact that, had you lodged \$1,000 here in January, 1943, it would be worth \$34,000 today. Lincoln has over \$6 billion of life insurance. Sells at 245 and pays a meek \$1.50; but it's piling up the good old book value.

Some analysts are favoring Life Insurance Co. of Virginia with \$1.6 billion of life in force, low cost operations and a favorable mortality experience. Since the company concentrates in the South and Southwest, it is thought to be in good position to share in the phenomenal growth in this area. Yieldwise, this is a bit more attractive than some of the others, with \$2.20 dividend on stock selling at \$82. There are only 600,000 common shares, and there was a 100% stock dividend in 1950.

Others worthy of your inspection might be Franklin Life selling around 70; Gulf Life around

20 paying 50¢; Jefferson Standard paying \$1 and selling around 66. Then there's a relative newcomer, Government Employees Life Insurance Co., at around 34. This company specializes in selling insurance by mail to government employees, and has done very well at it. And I just noticed, to my horror, that Aetna Life had been skipped over. It's a perfectly wonderful company, second only to Travelers in stock company underwriting, and an ingratiating value at 112 paying \$2.25.

If you want to talk about bull markets, many of these life shares have added 15% to 30% to their market value since New Year's Day. And for those who have disdained entry into life stocks because of apparent inadequacy of cash return, let it be noted that, in this industry, when a company splits its stock, say 100%, in most cases the new shares carry the same dividend as the old! Thus, with a little patience, over the years you don't make out too badly on the cash yield either.

Look over these life stocks. Maybe they've got some qualities you never appreciated before. Growth here is mathematically more predictable than in many other more touted equities.

## State of Business Now

By MARTIN R. GAINSBURGH\*

Adjunct Professor of Economics, New York University  
Economist, National Industrial Conference Board

**Dr. Gainsburgh points out that a careful screening of business indicators reveals a downward trend in first quarter of 1954, despite some important exceptions. Reviews good and bad indicators during this period.**

Business analysts still find no reason to alter their year-end forecasts of a lower level of activity in 1954 than in 1953—and few, if any, have altered their position that the trough would not be reached in the first half of 1954. In contrast, the latest survey by the Commerce Department reveals that business anticipations in the aggregate are still for sales as good as their peak of 1953. Since business sales in the first quarter have been several percentage points lower than the 1953 average, business expectations actually imply a moderate improvement in sales in the remainder of this year.

A careful screening of business indicators for the first quarter will undoubtedly reveal an impressive list of better-than-1953 performance in some instances, or signs of improvement in recent weeks or months, after due allowance for seasonal adjustments. The over-all pattern for industrial production, however, has been continued downturn, with the decline as marked as in the peak quarter of downturn in 1949. An even broader measure of national economic activity — gross national product — will reveal another reduction in national output for the third successive quarter. The decline in the present quarter may be less than in the fourth quarter (\$6 billion, annual rate). The loss in the current quarter, however, may reflect somewhat more contraction in end-product demand, with less salutary implication than the changes in preceding quarters which stemmed largely from the



M. R. Gainsburgh

reversal of inventory policy. The broad-gauge indicators of overall activity, therefore, are still declining. In the case of end-product consumption, however, the declines are still very modest relative to the cutbacks in production. This suggests that the corrective process of inventory adjustment is continuing without serious side effects.

The rough balance between good and bad statistics emerging for the first quarter are:

Business outlays on new plant and equipment during the first quarter are now estimated by Commerce Department-SEC at \$6.8 billion, substantially above earlier expectations and about 8% above actual outlays in the first quarter of 1953. The same source forecasts total outlays for the year at \$27 billion, only 4% below last year's record rate. However, anticipated expenditures for the second quarter show a rise from the first quarter that is considerably less than seasonal.

Contract awards for residential construction in January and February add up to both greater valuation and more floor space than in the opening months of 1953, and suggest housing starts at above a one million annual rate this spring.

Unemployment insurance claims, which were pointed sharply upward at the turn of the year, have held within a narrow range of 2.1-2.2 million (about 6% of covered employment) since the last week in January. But employment continued to fall in February, with the bulk of the decline in durable manufacturing, and only a mild drop in non-durable employment.

Largely unheralded, as yet, was an increase in the factory work week in February. This was the first significant upturn in average weekly hours in more than six months and the first January-February rise of the postwar period. Increases were marked in textiles, apparel, and rubber, for which the Federal Reserve index of production also showed increases at least as great as seasonal.

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\*Excerpts from Mr. Gainsburgh's address at the Alumni Home-Coming Conference of the Graduate School of Business Administration, New York University, March 20, 1954.

## The State of Trade and Industry

Steel Production  
Electric Output  
Carloadings  
Retail Trade  
Commodity Price Index  
Food Price Index  
Auto Production  
Business Failures

There was a slight rise in industrial production for the country-at-large in the period ended on Wednesday of last week, but output continued to be moderately under the high postwar peak reached one year ago.

Among the industries which remained most active were paper, chemicals, electronics and construction, while textiles, farm equipment and mining continued to show a slow pace.

A note of optimism was sounded this week by the National Association of Purchasing Agents which reported that business conditions in industrial lines are leveling off after a prolonged decline. A "large majority" of purchasing executives expect their second quarter activities to be higher than in the initial three months, it stated, with some also declaring they could see good business through the third quarter, and a few were optimistic for the whole year.

Farm income in February was slightly higher than a year ago, the United States Department of Agriculture disclosed. But the \$4,500,000,000 total for January and February was 2.5% below the like 1953 period.

According to the Bureau of Labor Statistics of the United States Department of Labor, living costs declined 0.2% in the month ended Feb. 15. Decreases in items ranging from automobiles to milk brought the bureau's consumer price index to 115% of the 1947-49 average. This was 0.3% below the record high set last Oct. 15. But it was 1.4% above the year-earlier level.

Secretary Weeks of the United States Department of Commerce disclosed that there were "some indications" of a slight decline in unemployment this month. New claims for jobless pay, he noted, dropped in more than a dozen states in Mid-March. This has been accompanied by "substantial rehiring" in the farm machinery industry and a pickup of about 10,000 jobs in the auto industry. The Secretary reiterated that the government would adjust taxes, increase money and credit supplies and perhaps go into public works if the economic situation necessitates such steps.

New claims for unemployment compensation dropped to 293,706 in the week ended March 20. This was 16,900 less than in the preceding week, the United States Department of Labor reported. It was down 30,453 from the weekly total a month earlier. The claims reflect new layoffs among the 36,000,000 covered by state jobless insurance systems. Jobless persons continuing to draw unemployment compensation numbered 2,187,000 in the week ended March 13, off 13,500 from the preceding week. The year earlier level was 1,029,855.

Inventory—the same factor that depressed the steel market during the first quarter—will serve to stimulate it during the second quarter, states "The Iron Age," national metalworking weekly, this week.

A close check of producers and consumers this week reveals, according to this trade authority, that the stampede toward inventory correction (reduction) continues to dominate the market. This may hold true for several weeks. Drastically shorter buying policies are hastening the correction. And there is increasing evidence that more firms are reaching desired inventory levels, either overall, or on certain products.

Some manufacturers, it reports, are known to be using steel two or three times as fast as they are buying it. Mills continue to report a gradual pickup in the number of new orders, a vital market factor. Individual orders are usually small, indicating cautious buying within rigid limits. There are more "rush" orders, indicating that stocks have shrunk below safe operating levels and steel is needed quickly to keep production going. This adds up to substantially more steel buying in the not-too-distant future—probably within the next 6 or 8 weeks, this trade weekly observes. Labor is another factor that will tend to strengthen the steel market in the second quarter. Most contracts expire June 30, and the union must serve notice of intention to reopen on or before May 1.

This 2-month period of tough bargaining might convince some manufacturers that they have trimmed inventories too close. The

Continued on page 38

## Stassen's London Mission Highlights East-West Headaches

By A. WILFRED MAY

Mr. May reports new Inter-Allied Conference renews evidences of many Anglo-American differences in attitude toward Russian trade; with economic area conflicts stemming from contrast in fundamental national reaction to Soviet's military threat. Points out injustice, and help to Kremlin's propaganda strategy, of blaming United States for insignificance of actual trade volume.

LONDON, England, March 31—The reaction of press, public, and government officialdom here to Mr. Stassen's current mission (including some charges of blackmail pressing via relief funds) underlines the fact that actually the many facets of disagreement in the Anglo-American attitudes toward East-West trade really stem directly from the contrast

in estimating the degree of Soviet war danger. This basic rift in political assumptions was clearly manifested all through last week's full-dress Parliamentary debate on the East-West trade question; as it had been in the Prime Minister's pro-Trade pronouncement of Feb. 26 (their political premise being in direct contrast to the uncompromising attacks on appeasing-the-dictator in the Munich days of the late 1930's).

Were it not for the unconcern over the military danger here, surely there would be less sulking in complying with the allegedly stubborn and warmongering American "orders" regarding restrictions on strategic materials shipments. At best there is lip-service to the propriety of refraining from military help for the Soviet. Within the past 12-month here the Moscow appeasers, in trade as well as politics, have become respectable indeed! "Butter yes, but not tankers, for Russia's gold," is the clearcut view of merely a minority here.

Burying their political heads in the sand, the British are professing to believe that the present—post-Stalin—is at last really the time of Moscow trade coming through on a large scale (conveniently forgetting the political disillusionment over the Berlin Conference). The wishful thinking, of course, as previously, stems from the Kremlin's strategy of pandering to the weak spots in the Western nations' respective economies. Thrice today I was told by industrial leaders of the antidote to unemployment offered by available Russian orders in the fields of machine tools and Diesels. Mr. J. B. Scott, sales director of Crompton and Parkinson, the machine tool makers, who headed the recent group of British businessmen visiting Moscow, freely admits that his enthusiasm is sparked by the fact that Russian orders are needed to fill a 30% gap in his industry's capacity. Likewise the pressure for reliance on trade with the East is intensified by increasing German and Japanese competition; "obtuse" American tariff policy; fears of an American depression; worry over balance of payment difficulties; and the general "how are we going to scrape through?" on security feeling.

### The Vanishing "Orders"

While it is recognized that some whittling down of Mr. Karbanov's figure of £400 million as a three-year "proposition" to British busi-

nessmen is in order, the skepticism warranted by the vanishing of the "orders" after the Economic Conference at Moscow in 1952 and Geneva in 1953, is disregarded.

To be realistic, it should be appreciated that in the first place, the £400 million "dangle" of Molotov and Karbanov should first be reduced in half, because they blandly translated the 4½ thousand million rubles which they were talking about into sterling at the purely unrealistic exchange rate of 11.2 rubles to the pound, instead of the realistic rate of 25 rubles to the pound. In the second place, one-half of the items on the list given by Karbanov to the businessmen in Moscow, comprises clearly strategic items—entailing another halving. In the third place, there must be a further reduction, by reason of the Russians' indicated refusal to "play" on at least a good part of the non-strategic area if their strategic goals are not satisfied.

Again, whittling down of the promised size of the bait is strictly in line with Russia's past trade pattern, in which there is surely no great indication of change. Russia's past trade turnover in both directions has been 11½ billion rubles each way, which by their own showing has been 80% intra-orbit; which leaves them with less than 3 billion rubles of total East-West trade by their own showing. So half of their total extra-bloc trade would have to be done with Britain alone.

### Overall Payment Doubts

Nor is it sufficiently realized that in the "cannot" rather than the "will not" area of the trading question, doubt is in order about the Soviet's ability to pay for a greatly stepped-up import program. Outside of gold, the crux of Moscow's compensating ability vis-a-vis Britain lies in her grain and timber. Grain output is evidently giving her plenty of trouble; and even if production should be greatly stepped up, there is considerable doubt whether individual grain traders actually want the increased grain production, in lieu of taking it for granted that grain will do the balance-of-payments trick.

Regarding the medium of timber, the Russian difficulty of starving her domestic housing program must be considered.

The new trade figure of £133 million of annual imports represents a total more than double the peak year of 1951 and triple 1953. Calculating the possibilities in their most favorable light—even adding to 1951's peak export total the new production of silver and platinum, and 25 millions of gold payments, the Soviet would still be shy of balanced payments.

Gold, of course, is the Soviet's ace-in-the-hole. But would the Kremlin be willing entirely to deplete its strategic gold reserve? And what would be Washington's attitude toward permanent dumping of Russian gold, for other than "butter"? The British Treasury has been refusing dollars from Moscow, presumably at Uncle Sam's bidding.

Omitted from Churchill's reflections were the obstructions encountered by Britain and other Western countries in getting the orders on the books, and the many business difficulties revealed in other countries; such as the non-complementariness of products available as media of payments, the Iron Curtain's barring of trade negotiators, Russian over-pricing, autarchic techniques, unsatisfactory quality of deliveries, and the like.

### The West's Frustrations — Not Unwillingness

Overlooked here in the general assumption that juicy business is there merely to be plucked for the asking, are facts like the actual German experience. Interviewing their large association to promote Russian trade, operating in Cologne, I found that they were able to function in little more than a stand-by capacity. Visiting the Geneva Conference last April where the Russians dangled their lists, correspondence seizing on specific items on those lists elicited not even an answer from the Russian trade people.

And the completely abortive experience of the French delegation which followed the British in Moscow last month, resulting in no actual orders on one excuse or another, similarly illustrates the frustration dealt by the Russians to sincere business-getting efforts.

This is not to contend that the Russians are now again completely bluffing the British on non-strategic materials and that Mr. Stassen should so imply. It is likely that for the present at least and for political and economic reasons Malenkov does want some British consumer goods. And perhaps the Churchill-British policy of displaying whole-hearted desire for trade cooperation is strategically correct. Nevertheless it seems constructive and desperate—

Continued on page 14

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April 1, 1954

# Defects of Our Irredeemable Currency System

By WALTER E. SPAHR\*

Professor of Economics, New York University  
Executive Vice-President, Economists' National Committee  
on Monetary Policy

Dr. Spahr lists a number of disadvantages of our current irredeemable currency system among which are its injustice in depriving the people of a valuable property right; loss of people's power to control government outlays; discrimination against our own people in favor of foreign central banks, and trend of irredeemable currency toward inflation. Cites unethical elements in our currency system, and says "irredeemable promises to pay as money" is evidence of government fiscal and moral bankruptcy. Answers arguments for delay in returning to a redeemable currency.

It is of paramount importance that Congress rescue the people of the United States from the serious dangers inherent in an irredeemable currency and enable them to have the advantages provided by a redeemable currency.

## I

The disadvantages experienced by our people as a consequence of our system of irredeemable currency are suffered both domestically and in our international relations.

### A. Domestically

(1) Our people have been deprived of a valuable property right; those seeking safety for their savings may not invest in gold or in claims to gold.

A good monetary system will be so constituted that the various kinds of money employed will together perform the following functions: (1) that of a standard of value; (2) that of a medium of exchange; (3) that of a good storehouse of value; (4) that of a standard for deferred payments; (5) that of a final settler of payments due; (6) that of a reserve against substitute forms of money and credit.

Under our domestic system of irredeemable currency, gold and gold certificates cannot be employed by our people as media of exchange, or as storehouses of value, or as final settlers of payments.

A valuable right of a people is to select the variety of money that will perform one or more of these functions best. The most universally marketable money known to

mankind is gold. For this reason, it, or claims to it, is the best storehouse of value, in the form of money, that is available. There are times when people wish to employ it, or, more commonly, claims to it, in preference to any other type of investment, as a means of preserving the value of savings.

Our system of irredeemable currency deprives our people of that very valuable property right. For the small saver who does not know how or when to invest wisely and who wishes to employ the protection provided by gold, or by claims to it, such a right no longer exists. He must run the risks inherent in an irredeemable currency.

(2) Our people have been deprived of a major direct power over the government's use of the people's purse.

A basic assurance that human freedom from arbitrary government can be preserved lies in the ability of the people to control the public purse. One of the major devices on which such assurance rests is the freedom of our people to demand redemption in gold of the bills of credit issued by our Treasury and Federal Reserve banks. That freedom and the underlying right no longer exist in this nation.

As a consequence, the people's purse is at the relatively free disposal of the government. The power of direct restraint, which individuals can exercise as they seek to preserve their savings by converting them into gold, or claims to gold, is gone. Such powers as remain are confined chiefly to the right to vote which is a most unreliable means of protecting one's savings. The exercise of the right to refuse to purchase government securities merely drives the government to the banks which convert Federal debt into currency, the consequent tendency being a reduction in the purchasing power of the people's money.

With the government free of the direct powers which a people can exercise under a redeemable currency, the people can be subjected to heavy or profligate government spending and to a practically unlimited depreciation in the purchasing power of their money. Popular efforts to control such spending can be reduced to futility, and they tend to be futile. All governments which have today taken possession of the people's purse and have seriously impaired or destroyed the purchasing power of the people's money have employed an irredeemable currency or, as in early times, have devalued their coins. A government disposed to spend freely or recklessly cannot effectively be held in restraint under a system of irredeemable currency.

(3) Foreign central banks can exercise their claims to our gold reserves; our people are deprived this right.

As a consequence of this arrangement, our people, who have

claims against our gold stock equal these days to approximately 17 to 18 times those of foreign central banks, must stand aside while those foreign institutions are free to draw down our gold stock to the extent they hold dollars. In other words, these foreign banks can draw down the gold certificate reserves of our Federal Reserve banks and a corresponding amount of gold in the Treasury by demanding redemption of their dollar claims. Our people cannot draw down the gold certificate reserves of Federal Reserve banks and they cannot touch the gold in the United States Treasury, except as it is drawn upon for use in industry.

This discrimination against our people and in favor of foreign central banks exists in the face of the fact that foreign withdrawals of gold are highly erratic while domestic withdrawals are relatively steady and relatively small. For example, for the ten-year period, February, 1923 - February, 1933, the monthly percentages of foreign withdrawals of our monetary gold stock ranged from zero (April-June, 1923) to 15.83% (in October, 1931). Monthly percentage of domestic withdrawals during that decade ranged from 1.44% (April and May, 1931) to 6.32% (in February, 1933). The erratic quality in the percentages of foreign withdrawals becomes much more pronounced when one considers the relatively small percentage of total claims held by foreigners against our gold stock as compared with the much greater size of the claims held by our people.

(4) Under an irredeemable currency our people are subjected to the dangers of Socialism or government dictatorship in some similar form.

Throughout the world, wherever there is Socialism, Communism, or government dictatorship in some other form, there is found irredeemable currency. It and military force provide the chief means by which government dictatorship gains power over a people. The use of an irredeemable currency is a subtle, relatively peaceful, and poorly understood device by which a government can establish a high degree of governmentally-managed economy or dictatorial control over a people. The people of the United States are vulnerable in this respect because they must operate under the far-reaching undermining influences of an irredeemable currency.

(5) Our people are subjected to the great expansions and contractions in business and prices made possible and invited by an irredeemable currency.

One of the outstanding characteristics of an irredeemable currency is that it makes possible and invites great expansions and contractions in economic activity and prices. They can exceed, and many times have exceeded, any fluctuations involving a redeemable currency. Depreciation in the purchasing power of irredeemable currency has in some cases approached zero. The consequences commonly flowing from great expansions of such currency have been a sharp rise in prices, severe impairment or destruction of the value of the monetary savings of various groups, or even the mass, of people, painful economic depressions following high prices. Social and political revolution has sometimes been a consequence.

The lowest purchasing power of our dollar ever reached since the establishment of our Federal Reserve System occurred in March, 1951, under our irredeemable currency system. The longest economic recession and depression in our history ran from October, 1873, to March, 1879, under an irredeemable currency. The length

of that recession and depression was 65 months as compared with 43 months for the recession and depression of 1929-1933. Moreover, the great prolongation of various serious aspects of the depression, such as heavy unemployment and small capital investment, practically up to World War II, occurred under an irredeemable currency.

The extreme swings in prices and business activity, possible under an irredeemable currency, cannot and do not exist to such a degree under a redeemable currency. A gold money and a currency redeemable in gold do not lose their purchasing power completely as may an irredeemable currency.

(6) Our people are subjected to a diseased bloodstream in their economy.

This diseased bloodstream in our economy touches every person who uses money. Having within itself great defects, it becomes an important causal factor in the behavior of people. They become conscious of some of its defects and of the need to estimate their possible and probable consequences. A healthy currency, by way of contrast, is largely a passive agent performing its functions smoothly and with little thought given by people to its quality.

The effects of a diseased monetary bloodstream are almost endless in their variety. The economic system becomes bloated and distorted in a multitude of ways. Some people prosper under these distortions; others suffer a gradual and subtle undermining of the value of their incomes and savings. The latter variety of consequences apparently do not commonly attract much attention until the damage reaches a serious stage. For example, on the average holdings, for the period 1945-1951, of United States savings bonds, time deposits in all banks in the United States, and life insurance policies, the loss in purchasing power by 1951, as compared with what would have been the value in 1945 dollars, was \$123,068,133,998. This loss on those three items alone during that period of seven years, was approximately 65 times the loss of \$1,901,000,000 on bank deposits for the period of thirteen years, 1921-1933. Regarding the latter loss, much is still written and spoken with emotion because the loss was direct and easily understood. But, regarding a loss which is 65 times greater, little more is offered than innocuous platitudes—a fact which illustrates the relatively small understanding of the devastating effects of a depreciated currency. Full realization of such facts is in large degree left to the widow to experience when she attempts to utilize the savings and insurance left for her protection.

People have serious problems with which to contend even when a currency is sound—that is, if there is a fixed standard metallic unit, if all paper money and bank deposits are freely convertible into it, and if all credit is automatically self-liquidating. To use a currency which, because of its inherent defects, causes an endless variety of economic distortions, is to multiply and magnify in an unnecessary and undesirable degree the uncertainties of life and the problems with which human beings must deal.

## B. In International Relations

(1) All holders of dollars other than central banks lack the right to demand their redemption.

A consequence of this discriminatory situation is that such holders of dollars are in general compelled to dispose of them at some disadvantage as compared with the equality of treatment which would prevail if they could redeem them at face value at their

banks. The various disadvantages involved show themselves in part in free, quasi-free, and black gold markets in which our non-gold dollars have been, or are, exchanged at various rates of discount. These manifestations of the various degrees of dishonor under which our non-gold dollars have labored, or labor, also point to other unfortunate consequences—to the adverse effects of such monetary arrangements on trade, saving, investment, and enterprise.

(2) Freedom of enterprise in foreign trade and investment is restricted.

Since gold may pass only between our Federal Reserve banks and Treasury and foreign central banks, regulations are devised to prevent gold reaching other hands. Regulations also prevent conversion or redemption in gold of all non-gold dollars except those held by foreign central banks. A consequence is that freedom of private enterprise in foreign trade and investment becomes sharply restricted. Government bureaucracy in the management of international economic intercourse becomes a crippling agent. Trade and investment and exchange rates suffer distortions, distractions, and frustrations. These natural consequences of such government interference with private enterprise evoke more government plans and more regulations, whereas the correct solution lies in a free-flowing currency—gold, silver, paper money, bank deposits—and in freedom for the millions of individuals, desirous of carrying on foreign trade and investment, to utilize their ingenuity.

(3) Real internationalism is obstructed.

The gold standard, redeemable currencies, and real internationalism go together. Irredeemable currencies are domestic currencies. Only gold and currencies freely convertible into gold cross international boundaries with ease.

Because the United States employs an international gold bullion standard in its dealings with a restricted list of foreign central banks, we have, to that extent, some of the benefits which are inherent in a thorough-going gold standard. But these benefits are sharply restricted. All around this restricted list of central banks lie a multitude of individuals, and enterprises, who are deprived of the benefits to be had from a thorough-going gold standard open to all for use.

For many generations prior to 1914, the degree of freedom in international trade, investment, and travel apparently reached the highest level ever attained. Since that time irredeemable currencies have engulfed one nation after another. Being nationalistic in nature, these currencies have become, along with wars, major instrumentalities in impairing or destroying freedom of intercourse among nations. A paradox of modern times is the vigorous argument in behalf of freer international relations while at the same time there is almost universal defense of irredeemable currencies. The gold standard, internationalism, and human freedom are natural companions. Their opposites, and companions in evil, are irredeemable currencies, obstructions to international intercourse, and government dictatorships.

## II

### Unethical Elements in Our Currency System

(1) The legends on our money are inaccurate.

Although the legends on our paper money are the same for all holders, the facts are that the holders are treated differently. For example, if the legends on the Federal Reserve notes stated the facts correctly they would read substantially as follows: "If this



Walter E. Spahr

\*Testimony of Dr. Spahr before the Sub-Committee of the Senate Committee on Banking and Currency on the Gold Redemption Bill (S. 2332), Washington, D. C., March 30, 1954.

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note is held by a foreign central bank on the Treasury's restricted list, it will be redeemed in gold upon presentation at a Federal Reserve bank or the United States Treasury. All other holders may exchange it only for another variety of non-gold currency."

(2) *Privilege without corresponding responsibility is granted Federal Reserve banks and the United States Treasury.*

Since our United States Treasury and Federal Reserve banks are authorized to issue bills of credit as money without being required to redeem them, there is in this arrangement a case of special privilege without corresponding responsibility. This is in conflict with the standards employed, as to the rights and responsibilities of our people, in our body of contract law. Privilege without corresponding responsibility is, in principle, repugnant to defensible standards of ethics, and it is out of harmony with the best traditions of our people.

(3) *Treatment of bills of credit as "coined" paper money violates the ethics of contracts on which a modern economic system depends.*

Since the irredeemable paper money issued by the United States Treasury and Federal Reserve banks is in nature bills of credit, the effort to treat them as "coined" paper money involves an attempt to convert a credit instrument into money—to pass a promise as the thing promised. The ultimate destiny of credit instruments is to be redeemed. Our body of contract law, applicable to all people in this nation, other than our Treasury and Federal Reserve banks, finds no ethical principle by which to convert irredeemable bills of credit into defensible credit instruments or final means of payment. The fact that our Treasury and Reserve banks contravene these well-recognized standards of defensible business ethics does not alter the validity of the standards employed in our body of contract law; it simply reveals a case of violation of these commonly accepted standards.

(4) *Use of irredeemable bills of credit by a government and its authorization to banks to issue irredeemable promises to pay as money are evidence of fiscal or moral bankruptcy of that government.*

The issuance of irredeemable bills of credit and their enforced use as money not only contravene basic standards of moral behavior embodied in contract law over a period of many generations but it, of necessity, stands as proof of either fiscal or moral bankruptcy on the part of the government involved.

### III Legal Conflicts

(1) *Legal tender law nullified in part by other laws.*

Although the so-called Thomas Amendment of May 12, 1933, and Public Resolution No. 10, approved June 5, 1933, improperly gave the full legal tender quality to all our coins and paper money, and although Section 15 of the Gold Reserve Act of Jan. 30, 1934, included gold certificates in the term "currency of the United States," other provisions of law provide that gold certificates may not be employed domestically except by Federal Reserve banks and the Treasury for use among themselves. Therefore, although gold certificates are declared to be full legal tender, they are prohibited by law from performing their functions domestically as a legal tender currency.

Although Federal Reserve notes were (improperly) given the quality of full legal tender in 1933, they may not serve as lawful money (and properly so) against

the deposits held by Federal Reserve banks.

Although all Treasury currency, which may circulate domestically, was given the quality of full legal tender in 1933, none of it may serve as reserve against deposits in Federal Reserve banks.

(2) *Peculiarities of the legal situation in respect to reserves held by Federal Reserve banks against their notes and deposits.*

These legally-required reserves are gold certificates which are declared to be full legal tender. But this legal tender reserve cannot perform the functions of legal tender since it cannot be paid out domestically.

Although these reserves are maintained and computed against the aggregate of Federal Reserve notes issued by, and deposits held by, Federal Reserve banks, these reserves can be drawn down only by specified foreign central banks to the extent that they hold those deposits and Federal Reserve notes. Therefore these reserves, under our law, perform a type of function in respect to the Federal Reserve notes and deposits held by foreign central banks which they cannot perform in respect to the same type of note and deposit held domestically. The discrimination is against domestic holders and in favor of foreign central banks.

Another peculiarity of the reserves of Federal Reserve banks against their deposits is that it has not been possible, since June 12, 1945, for those banks to count Treasury currency, other than gold certificates, as part of their reserve against their deposits. Prior to that date, such currency could be so counted, and properly so.

Thus we have this anomalous arrangement: Treasury currency which the people of the United States are required to use may not be employed by the Federal Reserve banks as reserve against their deposits; the only money lawful for reserve in Federal Reserve banks against their deposits cannot be paid out domestically; the only asset cash (Treasury currency) which the Federal Reserve banks may pay out domestically cannot be used as reserve against their deposits.

### IV

A *Constitutional Question; and the Issue of the Abuse of a Legislative Power*

Paper money issued by the United States government is in nature bills of credit. (Veazie Bank v. Fenno, 8 Wall., 548-549; 1869.) The meaning of "bills of credit" in the United States Constitution has been made clear in various decisions of the United States Supreme Court—for example in the *Legal Tender Cases* (12 Wallace, 457-681; 1870) and in the case of *Craig v. State of Missouri* (4 Peters, 431; 1830). In the latter case, in which the Court dealt with the meaning of bills of credit as used in Art. I, Sec. 10, of the Constitution of the United States, which provides that "No state shall . . . emit bills of credit," the Court asked and answered these questions: "What is a bill of credit? What did the Constitution mean to forbid? . . . The word 'emit' is never employed in describing those contracts by which a state binds itself to pay money at a future day for services actually received, or for money borrowed for present use; nor are instruments executed for such purposes, in common language, denominated 'bills of credit.' To 'emit bills of credit,' conveys to the mind the idea of issuing paper intended to circulate through the community for its ordinary purposes, as money, which paper is redeemable at a future day. This is the sense in which the terms have been always understood." This contention was repeated in

Continued on page 37

## Not Time for Return to Redeemable Currency

By WM. McC. MARTIN, JR.\*

Chairman, Board of Governors of the Federal Reserve System

Chairman Martin contends there would be no advantage at this time to establish redeemability of the currency in gold, since there is universal confidence in the dollar and no further safeguards are required to prevent its erosion. Points to strained international situation as reason for delay in return to fully redeemable currency.

Of the four bills now before this Committee, the one on which I should like particularly to comment is S. 2332. This is a bill, as the preamble states, "To resume the redemption of currency in gold in order to restrain further deterioration of the dollar and to curb further inflation. . . ."

Section 2 describes the measure as one to strengthen confidence in the dollar, to minimize inflationary pressures, to protect holders of savings bonds, owners of savings deposits and insurance policies, and those dependent upon pensions, fixed salaries, or wages.

I have frequently referred to the role of the Federal Reserve System as that of a trustee. Its cardinal purpose is to help safeguard the dollar. Therefore, I would, of course, subscribe wholeheartedly to the worthy objectives stated in S. 2332. But as the members of this Committee know, there is no magic formula and no

simple device for achieving these goals. Confidence in the dollar rests upon a complex of important factors of which monetary as well as fiscal policies are an indispensable part. In performing its role as a trustee, the Federal Reserve System's objective is to do what it can not only to prevent inflation, but also to prevent deflation. That is why we have traveled from a policy of monetary restraint when inflationary pressures threatened early in 1953 to a policy of active ease which has prevailed now for many months.

As I see it, the question before this Committee is this: Is it desirable to enact legislation at this time to establish redeemability in gold now, or, as Section 11 proposes, one year after the date of enactment of this bill?

It is an easy and familiar tactic to say, "Well, this is not the time," if you are against some measure but do not want to say so frankly. I do not think this is the time for this measure, but I would not go so far as to say there will never be a time when it might be desirable. My reason for thinking this it not the time is simply that I would see no advantage to be gained, no need for further safeguards, now. There is universal confidence in the dollar. Its value is not being further eroded. That threat does not hang over us today. I would see no good reason for disturbing the present situation by taking this step now,

and I would prefer not to take it. As I indicated, I can conceive of a situation in which it might be a definite reassurance. If the country's solvency were in question, if we were witnessing a flight from the dollar, then it might help to regain confidence by making the dollar redeemable in gold as part of a program of fiscal and monetary reformation. There might be other occasions when this measure would be an added reassurance in the minds of enough people to make it so—regardless of its inherent merits or demerits. Manifestly, the situation would be entirely different if the world were at peace, if the fears that now haunt it were banished, and if there were no iron curtains.

No doubt this step at this time would entail risks. It is for the Committee to evaluate them. Certainly it is worth while to take risks, even serious ones if necessary, to safeguard the country from even greater dangers. But there is no danger, present or prospective, that this measure would avert. I cannot see how the universal confidence that exists today would be enhanced by this measure at this time. Under these circumstances, it seems to me that it is not worth while to take the risks.

I need not assure you that the Federal Reserve System will continue to do all that it can to minimize inflationary pressures on the upside and deflationary pressures on the downside. That is the goal we all seek.

It seems to me that you have to decide whether you want S. 2332 before you can decide whether you also want the bills numbered S. 13 and S. 2364 which contemplate the holding of gold for the public and the establishment of a free gold market in the United States. The other measure before you, S. 2514, in effect proposes the reintroduction of the bimetallic standard. I can discover nothing in the history of our experience with national bimetalism to justify the adoption of such a measure.



W. McC. Martin, Jr.

\*Statement by Chairman Martin before the Subcommittee on Federal Reserve Matters of the Senate Committee on Banking and Currency, Washington, D. C. March 20, 1954.

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## Dealer - Broker Investment Recommendations & Literature

*It is understood that the firms mentioned will be pleased to send interested parties the following literature:*

**Building and Construction Industry** — Analysis in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a brief analysis of **Jets** and a list of medium to popular priced stocks with **High Yields**. Also available is an analysis of **Coca-Cola Company**. In the current issue of "Gleanings" are brief analyses of **American Seating Company** and **Pacific Petroleum, Ltd.**, and three selected lists of common stocks for **Portfolio**.

**Functions of a Municipal Financial Consultant**—J. Basil Ramsey — reprinted from "Municipal Finance"—Wainwright & Ramsey, Inc., 70 Pine Street, New York 5, N. Y.

**Investment Opportunities in Japan**—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

**Oil Industry**—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

**Over-the-Counter Index**—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

**Pennsylvania School Authorities** — Brochure on financing of school building programs by school authorities in Pennsylvania—Butcher & Sherrerd, 1500 Walnut Street, Philadelphia 2, Pa.

**Plastics With a Backbone** — Circular — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

**Pulp Industry in Japan**—Analysis in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are analyses of the **Electric Wire and Cable Industry** and **Spinning Industry** and discussions of **Investment Trusts in Japanese Economy** and current foreign trade.

**Stock Splits**—List of candidates for stock splits or stock dividends—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

**Titanium**—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available are analysis of **Black & Decker Manufacturing Co.**, **Vitro Corporation of America**, **Pepsi-Cola Co.** and a brief discussion of **New York Central**.

**Aircraft Radio Corp.**—Memorandum—C. E. Unterberg, Towbin Co., 61 Broadway, New York 6, N. Y.

**Aluminium Limited**—Annual report—Aluminium Limited, Box 6090, Montreal, Que., Canada.

**American Marietta Company** — Study — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available are analyses on **Central Indiana Gas**, and **Metal & Thermit**.

**American Telephone & Telegraph Company**—Annual report—American Telephone and Telegraph Company, 195 Broadway, New York 7, N. Y.

**Armco Steel Corporation** — 1953 annual report — Armco Steel Corporation, Middletown, Ohio.

**Bank of America, N. T. & S. A.**—Analysis—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are analyses of **Central Maine Power Company**, **Harnischfeger Corporation**, and **Kaiser Steel Corporation**.

**Bohn Aluminum and Brass Corporation** — Analysis — Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

**Bridgeport Brass Company**—Annual report—Bridgeport Brass Company, Bridgeport, Conn.

**Bymart-Tintair, Inc.**—Data—Lewis & Stoehr, Inc., 80 Broad Street, New York 4, N. Y.

**Central Vermont Public Service Co.**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Chicago, Rock Island & Pacific vs. Southern Railway**—Bulletin (No. 158)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

**Christiana Securities Co.**—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Commonwealth Edison** — Bulletin — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

**El Paso Natural Gas Company**—Annual report—El Paso Natural Gas Company, El Paso, Tex.

**Emhart Manufacturing Co.**—Memorandum—Eddy Brothers & Co., 33 Lewis Street, Hartford 3, Conn.

**Equitable Life Assurance Society of the United States**—Annual report — Equitable Life Assurance Society of the United States, 393 Seventh Avenue, New York 1, N. Y.

**Ford Motor Co. of Canada**—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

**Gillette Company**—Analysis—Lee Higginson Corporation, 50 Federal Street, Boston 7, Mass.

**Haile Mines, Inc.**—Report—Butler, Candee & Moser, 44 Wall Street, New York 5, N. Y.

**Iowa Southern Utilities Company**—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

**Kaiser Aluminum & Chemical Corporation**—Report—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

**Kaiser Steel Corporation**—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 13, Calif.

**Kennametal, Inc.**—Analysis—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

**Laclede Steel Company**—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

**Lion Oil Company**—Annual report—Public Relations Department, Lion Oil Company, 811 Lion Oil Building, El Dorado, Ark.

**Mountain States Telephone & Telegraph Co.** — Card memorandum—Amos C. Sudler & Co., First National Bank Building, Denver 2, Colo.

**North American Life Insurance Company**—Analysis—Crutenden & Co., 209 South La Salle Street, Chicago 4, Ill.

**Oswego Falls Corporation**—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Webster Chicago Corp.**

**Riverside Cement Company**—Analysis—Ask for report T-31—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

**Sinclair Oil Corp.**—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

**Southern Union Gas**—Analysis—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

**Spencer Chemical Co.**—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is data on **Transamerica Corporation** and **Holland Furnace Co.**

**Saaty Fuel Injector Corp.**—Circular—D'Avigdor Co., 63 Wall Street, New York 5, N. Y.

**U. S. Vitamin Corporation** — Report — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is an analysis of **Glenmore Distilleries Co.**

## COMING EVENTS

In Investment Field

**Mar. 31-April 1, 1954 (Chicago, Ill.)**

Central States Group Investment Bankers Association of America, 18th annual conference at the Drake.

**Apr. 12-16, 1954 (Philadelphia, Pa.)**

Institute of Investment Banking second annual session at the University of Pennsylvania (sponsored by the Investment Bankers Association of America and the Wharton School of Finance and Commerce).

**Apr. 29, 1954 (New York City)**

Association of Customers Brokers anniversary dinner at the Hotel Roosevelt.

**Apr. 29-30, 1954 (St. Louis, Mo.)**

St. Louis Municipal Dealers Group annual outing.

**May 7, 1954 (New York City)**

Security Traders Association of New York annual dinner at the Waldorf-Astoria.

**May 9-11, 1954 (Dallas, Tex.)**

Texas Group Investment Bankers Association 19th Annual Meeting.

**May 12-14, 1954 (Boston, Mass.)**

Board of Governors of Association of Stock Exchange Firms meeting.

**May 14, 1954 (Baltimore, Md.)**

Baltimore Security Traders Association 19th annual summer outing at the Country Club of Maryland.

**May 16-20, 1954 (Chicago, Ill.)**

National Federation of Financial Analysts Societies Convention at the Palmer House.

**May 21-23, 1954 (Fresno, Calif.)**

Security Traders Association of Los Angeles-San Francisco Security Traders Association joint Spring Outing at the Hacienda-Fresno.

**June 4, 1954 (Chicago, Ill.)**

Bond Club of Chicago 41st annual field day at the Knollwood Club, Lake Forest, Ill.

**June 4, 1954 (New York City)**

Bond Club of New York 30th annual field day at the Sleepy Hollow Country Club, Scarborough, N. Y.

**June 9-12, 1954 (Canada)**

Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

**June 11, 1954 (New York City)**

Municipal Bond Club of New York 21st annual outing at Westchester Country Club and Beach Club, Rye, N. Y.

**June 16-17, 1954 (Minneapolis, Minn.)**

Twin City Bond Club annual picnic cocktail party, Hotel Nicolet June 16; field day and golf tournament, White Bear Yacht Club, June 17.

## NSTA



## Notes

### BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold its Nineteenth Annual Summer Outing on May 14, 1954, at the Country Club of Maryland. Joseph G. Strohmer, John C. Legg & Co., Chairman, Entertainment Committee.

### SAN FRANCISCO-LOS ANGELES SPRING OUTING

The San Francisco Security Traders Association and the Security Traders Association of Los Angeles are holding a Spring outing in Fresno, Calif., on the weekend of May 21st, 22nd and 23rd. It will be the first time that the two organizations have had a meeting together, and, as a consequent result, it is felt that the attendance from Los Angeles and San Francisco will be 100%. This is an ideal opportunity for any and all members of the National Security Traders Association to meet with the members of the Los Angeles and San Francisco affiliates. In addition, the opportunity is afforded to visit San Francisco prior to the outing and Los Angeles after the outing or vice versa. It is felt that there will be a very large number in attendance from the other Security Traders affiliates in the 11 western states.

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The Security Traders Association of Los Angeles is offering

*Continued on page 47*

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# New York City Banks Under Easy Money Conditions

By MORRIS A. SCHAPIRO\*

M. A. Schapiro & Co., Inc., New York City

Bank stock specialist, noting recent lowered interest rates, examines the impact of easy money on New York banks. Says easy money policies are not necessarily a threat to the earning power of banks and may be even helpful, if accompanied by measures which recognize the realities of bank operations. Scores higher reserves required of New York banks, but points out a favorable deposit trend, along with reduced reserve requirements last July together with removal of excess profits tax has maintained bank earnings.

Recent changes in interest rates cause stockholders to ask—"How are our banks affected by easy money?" Because New York City is the country's most important money center, its banks are more sensitive to such changes.

Since easy money has been with us since last May, it is now time to examine its impact on these banks. The fact is that, so far, the New York banks as a group continue to show stable earning power.

It is agreed that monetary management, to be successful, must safeguard the earning power of financial institutions, including commercial banks.

Easy money policies are not necessarily a threat to the earning power of banks. In fact, such policies can be helpful if accompanied by measures which recognize the realities of bank operations.

## Operating Penalty

Against the background of economic changes which have already occurred, however, it is now clear that present monetary policies make it imperative for the New York and Chicago "Central Reserve" city bankers to petition the Federal Reserve authorities for reclassification to "Reserve" city status. The distinction between these two designations, which impose higher reserve requirements on these New York and Chicago banks, although valid at the time the Federal Reserve Act became law in 1913, has long since lost its justification. As long ago as July, 1922, a similar situation was officially recognized by the Federal Reserve Board when, at the request of the St. Louis bankers, that city was reclassified from "Central Reserve" the "Reserve" city.

Nevertheless, this distinction continues in New York and Chicago, and because of it, the 35 banks in these cities must maintain required reserves of 22% against 19% for the 319 member banks in the 53 Reserve cities. In New York City, this means that an additional \$650 million of potential earning assets are impounded, a penalty costing these New York banks and their stockholders at least \$6 million annually in lost income.

## Reclassification Urgent

Despite the flexible easy money program initiated last Spring, bank earnings have been maintained. However, if this easy money continues to develop, commercial banks everywhere must view with increasing concern the large portion of their deposits now frozen in the form of required reserves. For the large New York

and Chicago banks, these required reserves averaged \$6 billion in January, 1954. A reduction in reserve requirements would permit a shift to member bank portfolios of earning assets now held by the Federal Reserve.

Last week, the prime commercial rate was cut from 3¼% to 3%, the first reduction in over 20 years and a direct consequence of the easy money policy. In view of the present broad base of bank operations, this reduction is certainly not critical. But, it does place new urgency in the question of the level of reserve requirements, discriminatory differentials, and other problems affecting bank operations.

Since World War II, operating expenses in New York City show a 100% increase. Nevertheless, the New York City banks were able, despite high taxes, to improve their earning position through expanding loans and investments at steadily higher rates of interest. But, expenses cannot be reduced automatically to accommodate a reduction of the rate.

The monetary authorities, of course, are not unaware of the operating requirements of member banks and, to be sure, consideration will be given to protect their earning needs. There is every reason to believe that the Federal Reserve Board will entertain seriously any request from banks unfairly affected by discriminatory reserve requirements.

The initiative for the correction of the situation in New York and Chicago, it would seem, can properly be taken by the bankers themselves. Surely, under present conditions, the Board must recognize that these banks can no longer afford to await a full scale Congressional overhaul of the entire system of reserve requirement statutes.

## Earnings Maintained

Meanwhile, the question remains—How are the New York banks doing now? Analysis indicates that net current operating earnings for the first half of this year will equal, if not surpass, the results in the comparable period a year ago. In fact, results for the first quarter will show gains averaging 10% ahead of the corresponding quarter of 1953. In addition, there will be security profits in contrast with the security losses of last year.

Net current operating earnings of 17 large New York City banks in 1953 were \$173,600,000, a rate of 7% on stockholders' equity of \$2,460,000,000. Based on current rates and extras, total cash dividends call for \$104,000,000, or 4% on these capital accounts.

It would be unreasonable at this time to project the results for 1954 on the basis of the favorable showing for the first quarter. The year will depend primarily on the continued increase in the total of earning assets since a possible reduction in future loan income can only be overcome by gains in income from expanding investments. The trend of expanding investments came as an immediate consequence of the shift from tight to easy money in the spring of

last year. It was on May 13 that the earlier downward trend in New York City bank deposits was reversed.

## New Trend

The new deposit trend is reflected in the New York Clearing House figures. From the week of May 13, the low point, average daily net demand and time deposits of these banks rose from \$23,436,000,000 to \$25,200,000,000 in the week of March 17, last, a gain of \$1,761,000,000, or 7½%.

This favorable deposit trend, coupled with the reduction in July of reserve requirements from 24% to 22%, resulted in a continuing expansion in the total of loans and investments.

With loans relatively steady, total investments of the New York "Central Reserve" city banks stood last week at \$10,026,000,000 versus \$8,145,000,000 in the week of May 13, a gain of \$1,881,000,000, or 23%.

Investment analysts recognize that the average position for a period is more meaningful than the specific figure for a single day. Thus, the weekly investment position so far this year has averaged \$9,741,000,000, a gain of \$1,134,000,000 or 13% above the \$8,607,000,000 average for the first half a year ago. This increase in average investments is six times greater than the 1.6% decline in average loans. Moreover, the weekly loan average for the year to date of \$12,220,000,000 is down only \$192,000,000 from the \$12,412,000,000 average in the first half of 1953, as shown in the following table.

Average Loans and Investments (In millions of dollars)				
	1953	1954		
	1st half	2nd half	11 wks.	
Average loans	\$12,412	\$12,514	\$12,220	
Aver. investments	8,607	9,421	9,741	
Total	21,019	21,935	21,961	

## Investment Pattern

Average commercial loans included in these totals stand at \$8,116,000,000, down 5% from \$8,546,000,000 a year ago. Composition of the loan totals, of course, comprises many classifications of borrowers, amounts, terms, and rates, and their proportions vary from bank to bank. A considerable amount of older low-

yielding loans are still carried and, as these mature, they are being renewed at rates higher than those originally set.

A positive factor in the loan outlook is further borrowing for tax and working capital purposes. The effects of easy money, while soon reflected in securities, are considerably slower in appearing in loans. From all indications, current interest income is estimated to be running at or above the \$582,700,000 reported for 1953 by the 17 banks. This represented an over-all yield at 2.82%; with \$410,100,000 from loans—a yield of 3.50%, and \$172,600,000 from investments—a yield of 1.94%.

The present earnings situation seems clear. A pattern of expanding investments, namely increased holdings of government and tax-exempt securities, combined with the full effects of the advantageous yields obtained through large-scale switching operations, dominates the earnings picture. Further, these banks participated in the recent Treasury offerings of intermediate securities with favorably affected portfolio yields, as 2½%, 2¾%, and 2½% replaced lower coupons. So far investments have more than countered the lower trend in loans.

## Operation Flexibility

Current operating expenses are still rising but not so rapidly as in previous years. Last year, the figure for the 17 banks was \$378 million and, while not strictly comparable (because of mergers), shows a rise of 100% over \$189 million of 1945.

Current tax accruals will be lower this year for the banks as a group because they are no longer subject to excess profits taxes. Last year banks were generally affected by the threat of this tax. The tax situation, as always, differs from bank to bank. Several banks actually accrued excess profits taxes in 1953. Naturally, these will enjoy the largest benefits from the expiration of that tax. Current tax accruals are estimated at 46% of pre-tax earnings versus 49.1% last year.

Another major consequence of the easy money policy has been

the sharp rise in bond prices. Today banks have large portfolio appreciation against the severe depreciation of last year. Current period earnings are already importantly augmented by profits from sales of securities versus the losses registered in 1953. Such security profits will continue to make their appearance as banks seek to convert ordinary income, taxable at 52%, into long-term capital gains, taxable at the 28% rate.

Thus, the outlook for banks under the easy money policies will depend not alone on the decisions of the monetary authorities. Perhaps, even more, it will depend upon the flexibility of bankers themselves and on their readiness to adapt their operations to these changing conditions. Above all, they must recognize that the easy money policies are not necessarily destructive.

## New S. F. Exch. Member

SAN FRANCISCO, Calif. — Ronald E. Kaehler, President of the San Francisco Stock Exchange, has announced that the Governing Board has elected John G. Kinnard to membership in the Exchange, effective March 30, 1954.

Mr. Kinnard is a general partner in the firm of John G. Kinnard & Company with headquarters in Minneapolis, Minn.

Mr. Kaehler said that the purchase of a seat on the San Francisco Stock Exchange by this Minneapolis firm indicates the increasing interest in West Coast securities.

## Three With Prescott Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Earl D. Ferguson, Michael Russell and St. Clair M. Smith are now connected with Prescott & Co. National City Bank Building, members of the New York and Midwest Stock Exchanges. Mr. Ferguson in the past was an officer of Republic Securities Corp. and First National Securities Corp. of Cleveland.

\$1,815,000

## The Central Railroad Company of New Jersey Equipment Trust of 1954

### 3½% Equipment Trust Certificates

(Philadelphia Plan)

To mature \$121,000 annually from April 1, 1955 to 1969, inclusive

To be guaranteed unconditionally as to payment of the principal and dividends by endorsement by The Central Railroad Company of New Jersey

### MATURITIES AND YIELDS

(Accrued interest to be added)

1955	2.00%	1960	3.00%	1965	3.15%
1956	2.25	1961	3.00	1966	3.20
1957	2.50	1962	3.05	1967	3.25
1958	2.75	1963	3.10	1968	3.25
1959	2.90	1964	3.125	1969	3.25

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

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WM. E. POLLOCK & CO., INC.

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March 26, 1954.

\*An address by Mr. Schapiro at a meeting of the New York Society of Security Analysts, New York City, March 25, 1954.

## Business Cycles

By ROGER W. BABSON

Asserting his belief first half of 1954 will be fairly good Mr. Babson points out business is partly a psychological affair, holding stock prices up when people are more impatient to buy than to sell. It is this alternative mass impatience, whether to buy or sell, that is one cause of the business cycle. Contends if the combined analyses of all sections showed the nation to be frightened and impatient for security, only then a business decline may be safely forecast.

It is sad that men of equal experience and intelligence so totally disagree as to the outlook for 1954. I am one of few who believe that at least the first half of the year will be fairly good.

### Are We As We Think?

Business is partly, but not wholly, a psychological affair. Constructive thinking aids both business health and our physical health. Too many people are optimistic or pessimistic due to their physical condition, to the newspaper headlines, and to what radio commentators say. But these men may guess at their conclusions.



Roger W. Babson

Most people think that stocks go up when there are more buyers than sellers, and go down when there are more sellers than buyers. This is a totally wrong belief, as there can never be a seller without a buyer, nor a buyer without a seller. Stocks go up when people are more impatient to buy than to sell; and stocks go down when people are more impatient to sell than to buy. The same principle applies to general business, real estate sales, and even wages. The impatience to buy, or to sell, determines prices. Impatience to buy, followed by impatience to sell, followed again by impatience to buy, causes business cycles.

### How to Measure Impatience

No one as yet has discovered how to measure mass impatience.

Photographers claim they can do it by photographing and studying the faces of the people on the streets, or in stores, or at public gatherings. Physicians claim they can measure the relative impatience of their "patients" who call upon them. The Dow-Jones theorists think they can determine the relative impatience of people by a study of their charts; but I have never found any chartists who became rich by such a study! Statisticians hope that the mechanical brains being developed by the International Business Machines Corporation, or Remington Rand, or National Cash Register Company will solve the problem. I, however, have more faith in the work of Dr. Ernest Furchtgott, Professor of Psychology, University of Tennessee, Knoxville, Tenn.

Our brains, hearts, and other organs are constantly sending out electrical waves; perhaps our entire body is sending out such waves. It is entirely possible that our impatience, ambition, self-control, worries, courage, and even spiritual factors (which are forces that make for prosperity or depressions) could be ascertained by studying the electric waves or chemical compounds which our skin is constantly throwing off. If it is possible to diagnose individuals individually, we should be able to diagnose a community en masse. I forecast this will be done some day, first analyzing the Ph of the sputum of the group.

### A Final Thought

Television broadcasting stations are now sending waves into our homes. By studying the faces of speakers, when unconsciously in repose, it may be possible to know their character and attitude

toward life. This was well illustrated by Senator Estes Kefauver's crime hearings which were shown two years ago on television. Now let us assume that a leading broadcasting station temporarily shuts down daily for two minutes and that every public group becomes a sending station and broadcasts its own bodily waves, greatly amplified in power. These could be collected by this broadcasting station, which could temporarily become a receiving station. If these mass waves can be interpreted, it should be possible to forecast business conditions with accuracy, barring an unforeseen catastrophe.

If the combined analyses of all sections showed the nation to be frightened and impatient for security only, then a business decline may safely be forecast. So long, however, as these people are throwing off optimistic waves or normal skin reactions, then continued prosperity can be assured. All authorities could then agree as to the future. From the poll of 970 leading newspaper publishers which we took in December, we concluded that less than 5% of the people were then discouraged. Hence, we cannot now be pessimistic about 1954.

### W. A. Fiedler With Hemphill, Noyes Co.

William A. Fiedler, former New York Sales Manager for H. M. Byllesby & Company has become associated with Hemphill, Noyes & Co., members of the New York Stock Exchange, in their main office in New York, 15 Broad Street.

Russell L. Berkey has become associated with the Hemphill, Noyes office in Indianapolis, Merchants Bank Building.

### Joins A. G. Becker

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Donald E. Pearson has become connected with A. G. Becker & Co., Incorporated, 120 South La Salle St., members of the New York and Midwest Stock Exchanges.

### With Dixon Bretscher

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Ill. — J. Cecil Sullivan is now with Dixon Bretscher Noonan, Inc., First National Bank Building.

## The Stock Market

By HOWARD F. VULTEE\*

Administrative Vice-President, The Marine Midland Trust Co. of New York  
Vice-President, Marine Midland Corporation

Commenting on stock market outlook, Mr. Vultee contends that in view of a current readjustment running its course, and the more friendly environment of free enterprise, the Dow-Jones Industrial Average, now around 300, will be exploring the 400 zone.

I should like to observe that in my opinion common stocks as a whole continue to represent good value. This conclusion is based on



Howard F. Vultee

such measurements as (a) average basic earning power, (b) dividend paying ability, (c) book and replacement values, and (d) the relative yields likely to be obtainable from competing investment media. The conclusion also reflects (a) the belief that once the present readjustment runs its course the dynamic forces present in the economy will sooner or later result in business activity, corporate earnings and dividend payments reaching new peak levels, and (b) my belief that a more friendly and understanding environment for the free enterprise system is likely. The importance of a changed environment cannot be over-emphasized if there is merit to my belief that the true greatness of this wonder-

\*Remarks of Mr. Vultee as Moderator of Forum at the Alumni Home-Coming Conference of the Graduate School of Business Administration, New York University, March 20, 1954.

ful country of ours is in the free enterprise system. You can appreciate that these conclusions assume that war can be avoided.

As to equity prices, in my opinion it is only a question of time before the Dow-Jones Industrial stock average which currently stands at around 300 will be exploring the 400 zone. I think I can assure you that this level will not be reached in a matter of weeks or months, nor will it be reached without some valleys and perhaps some really rough interim periods. That it will be reached I have no doubt because of fundamental considerations such as I have just briefly touched on. It may go much higher than this target if there is an important amount of additional inflation in the future or if real speculation develops as seems likely.

Of equal importance is the likelihood that the income return from common stocks will be very rewarding in the years ahead.

I should like to leave one additional thought with you. The key to a really successful investment experience over the last 15 years has not been whether one correctly judged the trend or movements of the market as a whole. Rather, it has been primarily a matter of selection. In my opinion, selection will hold the key to a successful investment experience in the future as it has in the last 10 or 15 years.

## Recession in Consumer Buying to End by Mid-Year

By CHARLES T. BRODERICK\*

Economist, Lehman Brothers  
Members, New York Stock Exchange

Mr. Broderick, stating we are now in the second and more critical stage of this recession, holds unemployment and sales declines have been exaggerated. Says soft goods sales have been reasonably good, and will continue so, but severest drop is in hard goods. Predicts current recession is likely to terminate by mid-year.

In the first stage of the current business recession, roughly covering the last six months of 1953, the economy absorbed the body-blow of a decline of \$9 billion in the annual rate at which businessmen purchase inventories, and it stood up beautifully under the punishment. Despite this profound change in the buying policies of manufacturers, wholesalers and retailers, there was no decline whatever in final consumption as a whole.

We are now in the second and more critical stage of this recession. While a good job of trimming inventories is being done, the economy is paying for it in the form of mounting unemployment and reduced payrolls. As a

consequence, final consumption began to fall off in the first quarter of this year.

The rate at which unemployment has recently risen, however, has been vastly exaggerated by the economic world, chiefly because of the failure to take seasonal factors into account. For example, in all the publicity attendant upon the December-January decline of 2 million in jobholders, no one took the trouble to notice that available jobs dropped more than 1 1/4 million in the corresponding period of each of the two preceding years.

The sales declines of January and February have also been overstated. Here the error lies in overweighting hard goods sales, where the severest drops have been experienced. Soft goods sales have been reasonably good, and original sales of this type of goods are four times as large as those of hard goods.

We therefore expect that the present retreat on the consumer goods front will not develop into a rout. The current recession is a good bet to terminate by mid-year and an odds-on favorite to do so before the year is over.



Charles T. Broderick

This advertisement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus. This is published on behalf of only such of the undersigned as are registered dealers in securities in the respective States.

New Issue

March 30, 1954.

100,000 Shares

## Tennessee Gas Transmission Company

5.12% Cumulative Preferred Stock  
(Par Value \$100 per Share)

Price \$100.375 per Share

Plus accrued dividends from April 1, 1954, to date of delivery

Copies of the Prospectus may be obtained from any of the undersigned who are qualified to act as dealers in the respective States.

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\*Summary of an address by Mr. Broderick before the 18th Annual Central States Group Conference, Investment Bankers Association of America, Chicago, Ill., March 31, 1954.

## Investor-Owned Electric Utilities Can Do the Job

By WALTER H. SAMMIS\*  
President, Ohio Edison Company  
President, Edison Electric Institute

**Spokesman for investor-owned power companies reviews progress of electricity use and reveals program of expansion of electric generating capacity. Says privately owned power companies can supply nation's needs and condemns competition of Federal power and the overlapping utilities' regulation of Federal and local governments. Says Edison Electric Institute has pledged cooperation with Atomic Energy Commission in utilization of atomic energy for power purposes. Advocates taxation of Federal power projects by local authorities and abandonment of utilities' regulation by Federal Government.**

This year the electric light and power industry is celebrating Light's Diamond Jubilee. Only a few weeks ago as a part of this observance



Walter H. Sammis

the electric utility industry publicized the connection of its 50 millionth customer. In the comparatively short span of 75 years electric service has been brought to 99% of all occupied establishments in the United States. Truly, electricity has become the servant of the American people. It is a bright, cheerful and instantly responsive servant, one that is tireless, able, multi-skilled, does not watch the clock, asks no time off, never complains about too many little and monotonous jobs, never balks at herculean tasks, and unlike other servants asks for very little pay. Not all of the talents of this extraordinary servant have yet been discovered. One would think that after all these years this servant's usefulness and capabilities would have been fully exploited, but every so often it reveals an ability to take on new duties and chores. There appears no limit to the ways this servant can serve, or to the size of job, large or small, that it can handle.

Undoubtedly, the most striking and easily recognized contrast brought about by electricity during these 75 years has occurred in home life. In 1879, the housewife's day generally began at dawn and involved the hardest kind of physical labor. Clothes-washing, which is now done quickly and efficiently by the flick of a switch, was in that time a back-breaking operation starting early in the morning. Every drop of water had to be pumped by hand and carried in buckets. The Kitchen stove, which had to serve also as a water heater, had to be fired with wood or coal, another tiring chore. Then the wearing task of scrubbing could begin. Ironing, cleaning, sewing—all the myriad tasks were done by muscle power.

As in the home, sunrise and sunset largely bounded factory and farm activities. Men and animals provided the principal energy for the work accomplished. At the turn of the century, before the electrical revolution gained momentum, the worker in the factory was earning about \$9 for a 54½-hour work week. Compare this with the 1953 wage of \$72 for a 41-hour week—eight times the wages for a work week shorter by one-fourth. Of course, a dollar went a good deal further in the early days than it does in present inflation-times, but the increased productivity brought about largely through electrical development

has made possible a tremendous range of products within the worker's greater ability to buy, and his standard of living has reached heights which would have then seemed unbelievable.

Production of manufactured products was aided only in small measure by electrical energy at the turn of the century. In terms of manpower, the worker at that time had the electrical equivalent of two helpers. A half-century later, his 1953 counterpart in manufacturing was using electrical energy equivalent to the effort exerted by 240 men working with him on his job.

Without electricity, the production wonders of the assembly line would be inconceivable. Not only has less efficient human muscle power been relieved of a great portion of its burden in our economy, but electricity, through its use for automatic controls, has made unnecessary much of the mental and physical drudgery formerly associated with the operation of manufacturing plants and the inspection of their products.

Further, the effectiveness of electricity in modern industry is evidenced not only by the great increase that has been witnessed in the productive capacity of plants, but by the further fact that it is the completely electrified manufacturing plants that continue to operate in times of business declines. The cost of electricity in industry averages only 6/10ths of one per cent of the value of the finished products.

In farm living, there have been dramatic changes. Back in 1879, existence on the land was primitive even by the modest living standards of the time. Today, the farmer is an important beneficiary of electrical progress. In his home can be found the same labor-saving, comfort-producing electrical appliances which ease the life of his city cousin. Electrical equipment in great variety stands ready to relieve him of the back-breaking, tedious drudgery of the traditional farm chores. On farms in the eastern half of the United States the average annual use of electricity is about 3,100 kilowatt-hours. On some dairy and poultry farms the annual use ranges as high as 30,000 to 50,000 kilowatt-hours. While electricity has lifted many major burdens from the farmer's shoulders, research and development in the farm field have far to go before electricity's contributions to agriculture generally can be considered comparable to those made to industry.

In science and medicine, a variety of electronic applications are making contributions whose full benefits to humanity cannot be evaluated.

In all these areas of human endeavor, the light brought by electricity has grown brighter and more effective—not as a symbol but as a vital part of electrical progress.

In view of all this progress, I question whether people fully appreciate the extent to which they depend upon electricity, unless

perchance through some disaster the service is interrupted for a short time.

This past winter I noted accounts of the distress of a farming community center in Wisconsin served by its own power plant which blew up. The town was without an emergency source of power through either standby or interconnection. A neighboring utility brought relief within a few days, but, from the descriptions in the press, the inhabitants of that community learned all over again the conveniences and advantages that electricity had brought to their homes, places of business and farms. This was a painful form of reminder, but it forcefully reveals to the thoughtful utility man in big, outstanding letters the full truth that our job is to serve. We are made to realize more clearly than ever that through diligence we have earned a great opportunity to serve, but with this great opportunity has come great responsibility.

The spirit of service—efficient, dependable service that is profitable to both the customers and the companies—must dominate our thinking and actions. The true interest of the public must be the compass to guide the course of management.

### The Needed Power Has Been Supplied

At the top of our list of jobs for the customer is the responsibility of having an adequate and dependable supply of power. The accomplishments of the investor-owned companies in this respect—as revealed by the figures covering new construction since the war—are simply staggering. Total investment in electric light and power companies has increased from \$12.5 billion in 1945 to a little over \$25.5 billion today. According to the U. S. Department of Commerce expenditures for new plant and equipment for all industries in the country since the war have mounted to slightly over \$150 billion, indicating that the electric light and power companies' expansion accounts for one-twelfth of the total.

It takes considerable time to provide new generating capacity, including determination of the size and location of the additional capacity and design and construction of the facilities. Prior to World War II, we thought in terms of 2 to 2½ years which gradually lengthened to 3½ to 4 years, and today probably averages three years. Thus it is most important that the utility executive give considerable attention to the prospects for business in general throughout the nation, as well as locally, with the anticipated effect upon the particular utility company with which he is associated.

In 1952 the industry added about 6.8 million kilowatts of capacity. In 1953 it was 10 million kilowatts. At the end of 1953 capacity reserve was in excess of 17.6%. According to the semi-annual survey of the Edison Electric Institute there are scheduled in 1954 additions to capacity of 14.5 million kilowatts; in 1955, 11.3 million and in 1956—so far—6.7 million.

This expansion of generating capacity will necessitate our sales organizations doing an outstanding job of selling electric service so as to market this scheduled capacity. It is a challenge that has not existed for a number of years. Electric utility managements will build generating capacity at an even more rapid rate if the potential rate of increase is sales warrants.

Nothing but a shortage of critical materials, which might again come about at some time in the future as a result of national defense activities, should limit our ability to supply any markets our best sales efforts can develop.

Investor-owned companies are willing, able and anxious to meet the challenge of the ever-growing requirements for electric service, no matter how substantial. This is exemplified by the actions of individual companies making up Electric Energy, Inc. and the Ohio Valley Electric Corporation and by the joint proposals that have been made by five power companies in New York State for the Niagara redevelopment and by five power companies in the Pacific Northwest to develop two hydro-electric projects on the Clearwater River in Idaho, by the efforts of Idaho Power Company to develop the Snake River, and by the proposals of Alabama Power Company to complete the development of the Coosa River

by building five additional hydro-electric projects.

Another primary responsibility of our job is to strive always to improve the efficiency of our operations and hold down the price of electric service. Our industry has established a unique record during this era of inflation when the purchasing power of the dollar has dropped 50%, when construction costs, Federal taxes, labor and the price of fuels have more than doubled. Through engineering achievements, improvements in operations and well directed sales efforts prices for electricity are lower today than they were before World War II. Where can we find another such example?

We have set standards of improvement that afford us no prospect of relaxation in the years to come in our efforts to serve capably. We must therefore look well ahead and scan all horizons to see how and where we can bring further benefits of low-price electric service to our customers. It is this consideration that justifies us in spending money on research and development, including research to discover how atomic power can be harnessed economically to supply electricity.

### Cooperation in Use of Atomic Energy

The Edison Electric Institute has pledged its cooperation to the Atomic Energy Commission. The Chairman of the Institute's Committee on Atomic Power, Edgar H. Dixon, President of Middle South Utilities, Inc., has testified before the Joint Committee of Congress on Atomic Energy urging Congress to amend the present act so that, supplementing the Federal Government's activities, investors with their money may speed the development and utilization of atomic energy for power purposes for the benefit of the public. At the request of the Congressional committee, this committee of the Institute has submitted specific suggested amendments.

So far I have been speaking about matters of direct responsibility on our part. However, we have a broader field of service to the people through participation in area development. It is essen-

Continued on page 26

This announcement is under no circumstances to be construed as an offer to sell or as a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

March 31, 1954

\$10,000,000

## Winn & Lovett Grocery Company

Sinking Fund Debentures, 3¼% Series due 1974

Dated April 1, 1954

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Price 100½% and Accrued Interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned or other dealers or brokers as may lawfully offer these securities in such State.

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\* An address by Mr. Sammis at the 21st Annual Conference of the Southeastern Electric Exchange, Boca Raton, Fla., March 22, 1954.

## The Process of Revising Management-Labor Relations

By LEO WOLMAN\*

Director, Bureau of Economic Research, Inc.

Dr. Wolman, in pointing out Federal labor legislation in the 1930's was conceived in haste, and requires a slow and contentious process of revision, discusses problems which must be solved in order to protect people's rights against essentially private organizations such as labor unions. Finds an unsolved problem in centralization of Federal authority versus authority of local governments in management-labor relations.

The important issues in American labor relations are to be found in the areas of legislation and public policy. There can no longer be much question that the labor policies we adopted in 1933, 1935, and 1937 were conceived in haste and without proper regard for their longer consequences. For the policies of that period were no sooner on the statute books than we began the slow and contentious process of revising and amending them in order to curb excessive private power, to protect individual rights which had been overlooked, to restore rights which had been taken away, and to define and secure the public interest.



Prof. Leo Wolman

This process is a reflection of a deep and abiding faith of the common run of Americans in traditional American institutions. Their common sense tells them when these institutions are under attack and they come before long to their defense. This has been the history of the far-flung labor legislation and labor policy of the reform era of the 1930's—at first acclaimed as the Magna Carta of labor and soon thereafter subjected to continuous criticism, review and revision.

Among the numerous issues we have been debating for the past 15 years and which still remain unresolved, there are several which are critical and deserve the

\*Summary of a talk by Dr. Wolman before the Luncheon Session of the National Industrial Conference Board, Los Angeles, Cal., March 25, 1954.

most careful consideration. Foremost among these is the centralization of power and authority in the Federal Government and in such essentially private organizations as labor unions. It was this concentration of power which first aroused widespread concern. Not very long after the passage of the Wagner Act, state governments began enacting their own laws to protect their industries and residents against abuses that had quickly grown up under the Federal policies and laws. New and strong unions, for example, called strikes against public utilities which threatened to cripple the economic life of entire communities. The result was that one state legislature after another moved to protect its vital interests. By doing so, they raised the issue of state versus Federal jurisdiction—an issue which has been debated in successive sessions of Congress and which still remains unsettled.

State governments, in fact, went still further. They began to impose curbs on unions which were not provided in the Federal legislation. They did this in order to protect what they thought were the simple and acknowledged rights of their citizens. Since the Federal law failed to afford adequate safeguards, the states, themselves, undertook to make provision for them. Thus, some states legislated against violence in labor organization and disputes. Some limited the activities of unions.

The most far-reaching intrusion of the states into the policies of labor relations took the form of the enactment of so-called right-to-work laws. In one form or another, some 15 states have adopted such legislation. The purpose of this legislation is to protect a man's freedom to join or not to join a union, as he pleases. It is

directed against laws, administrative rulings, or practices which make membership in a union a condition of employment. Evidently large sections of this country feel strongly about the infringement of personal liberty which compulsory union membership entails. In the elections of November, 1952, the State of Arizona went so far as to put the right-to-work principle into the state's constitution.

These issues of the private power of organizations versus the rights of people, and the centralization of public authority versus the authority of local government are today in the no man's land of public policy and law. Unless they are promptly and properly settled, we face the entrenchment of private power which will prove impossible to curb or regulate. It must not have been the purpose of the authors of the laws of the 1930's to compromise personal liberty and to confer unlimited authority on the central government of the United States. This, however, has been the effect of what was then done. It is against this whittling away of individual rights and of local self-government that localities are increasingly rebelling. Next to these fundamental questions, current issues of wages, fringe benefits and the like are of passing and minor importance. If we may judge by our own brief experience and by the much longer history of the growth of private power in foreign countries, it ought to be clear that this is our most urgent and difficult problem of labor policy.

## Bond Club of N. J. To Hold Field Day

Warren K. Van Hise, W. K. Van Hise & Co., Newark, President of The Bond Club of New Jersey, has announced the appointment of the Field Day Committee of The Bond Club of New Jersey.

The outing will be held on Friday, June 18, at the Rock Spring Club, West Orange, N. J. Andrew C. Spring, Outwater & Wells, Jersey City, is the General Chairman, assisted by Norton P. Rogers, Jr., Adams & Hinckley, Newark; Foy W. Porter, Estabrook & Co.; and Henry Hegel, as Sub-Chairman in charge of the various activities.

## From Washington Ahead of the News

By CARLISLE BARGERON

It is funny if it were not so tragic about how over the years industrialists, after sitting around in their clubs and talking on the public forums, telling what they could do to the Washington bureaucracy if only given a chance, then come here to Washington and go away after a brief interlude without having made a dent. The chances are that they have become bureaucratic minded themselves.

There comes to mind at least six top members of the Eisenhower Administration who came to Washington with all the private enterprise zeal in the world and who in the brief spell that Mr. Eisenhower has been in power, 15 months, have thrown up the sponge and returned to their private pursuits. You can bet your boots that every one of them is a little more bureaucratic minded than he was, that he is a little more Federal Government minded, that he is a little less conservative than he was; that is to the extent that he has a greater realization, if that is the term, of what the Federal Government owes to its citizens.



Carlisle Bargeron

Here is just a brief list of those who have left or are leaving Eisenhower, after having got the smell, so to speak, of Washington:

Roger Kyes, Under Secretary of Defense; C. D. Jackson, the President's psychological warfare expert, just whatever that is; Joseph Dodge, Director of the Budget; Emmett Hughes, eminent Presidential adviser and ghost writer; Donald Lourie, Deputy Under Secretary of State for Administration, and Under Secretary of Commerce Shaefer.

With the exception of the last the others left voluntarily, so far as I have been able to learn. Of the lot, the man who made the greatest imprint was Roger Kyes. As I understand it, and as I understand the military will long be saying, he was the hardest boiled civilian they have ever had to deal with. He is credited with definitely having put the brass on its feet. The brass has always taken the civilian heads condescendingly, something that in the peculiar American order they had to put up with. But Kyes let them know that he was the boss and in the relatively brief time he rode herd over them he accomplished a lot. He is widely reputed to have walked up to one General with a lot of vegetables on his chest and, touching at the stars on his shoulders, said: "They come off easily, don't they?"

But the brass and the rest of the bureaucracy have long since learned that the thing to do is to sit tight. Over the years they have witnessed these whizz bangs coming here, sitting on them, curbing them, putting them in their place and then as if they have accomplished something, going back to their businesses. The brass and the bureaucrats have come to learn to wait them out. The brass and the bureaucrats win every time.

The brass and the bureaucrats have come to learn that the average life of the hot shots who come here from industry and business is 15 months. You can go back over the years and find that this is so. But the bureaucrats and brass go on forever.

The tragedy of it is that I know of no single brass or bureaucrat who has ever been reformed and I know of no industrialist or businessman who has ever been down here who didn't go back with what is euphonistically described as having a better understanding of the problems of the brass and the bureaucrats. Maybe these industrialists or business men have been sitting back there in their executive chairs saying that the States or Private Industry should do this. They are opposed to the Federal Government's intervention, to say the least, in the mundane affairs of men. They come down here and serve a spell and return to their homes saying that after all the Federal Government's responsibility has been misunderstood.

You can appreciate then, the importance of the number of community and industrial leaders who have served briefly in Washington over the past 20 years, enough to smack of the bureaucratic atmosphere and then return to their home pursuits.

I am quite sure had Roosevelt the Great lived long enough he would have had every business, industrial and civic leader in the country here on some sort of a payroll, doing something "in the national interest," serving the people or whatnot, and going back to his respective bailiwick and forever preaching what a wonderful time he had and what a great leader he had served under.

If they keep leaving Mr. Eisenhower in the way they are, there is no telling how many sympathetic Eisenhower leaders of industry we will come to accumulate around the country, which is a darned sight better than those Messrs. Truman and Roosevelt accomplished. And when you want to figure up the total of eminent people our Presidents indoctrinate by associating with them you must add to Eisenhower's score such as Ben Hogan, Walter Hagen, et al.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of this Stock.  
The offering is made only by the Prospectus.

NEW ISSUE

March 31, 1954

150,000 Shares

Allied Artists Pictures Corporation

5½% Cumulative Convertible Preferred Stock

(Par Value \$10 Per Share)

Price \$10.00 per Share

Copies of the Prospectus may be obtained in any State only from such of the undersigned and other Underwriters named in the Prospectus as may lawfully offer the securities in such State.

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# The United Nations and Private Property Rights

By HON. TIMOTHY P. SHEEHAN  
U. S. Congressman from Illinois

Warning that right to own a home, farm, factory or any other type of property may be abrogated by refusal of United Nations to covenant to recognize property rights, Rep. Sheehan points out United States is a member of the United Nations, and a covenant passed by the United Nations thus becomes the overriding law for the member nations. Concludes it is imperative that the American people be alerted to the dangers of the socialistic proposals contained in the U. N. draft of the International Covenant on Human Rights.

The United Nations Human Rights Commission has made a very important decision, the gravity of which the American people are not cognizant.

Since the Eisenhower Republican Administration took over, our Ambassador to the United Nations, Mr. Henry Cabot Lodge, Jr., has insisted that in the consideration of the human-rights covenants, the United Nations should include an article recognizing the right to own private property. During the latter part of February, the Commission held a week's debate on this subject which is of such great interest to the United States. However, on March 3, by a vote of 12 to 2, the Commission decided to adjourn, thus postponing indefinitely the inclusion of an article recognizing the right to own private property.

This means that our request that the rights of private property be recognized is denied and that the right to own property is to be looked upon not as a private right but as a political right. Insofar as we are by treaty a member nation of the United Nations, this failure to recognize the right to own private property as a human right contains far-reaching and dangerous implications. It will remain, of course, for the experts on constitutional law and the courts to eventually determine the extent to which we will be bound by such a covenant which does not include this most important right which is one of the fundamental guaranties of our Constitution.

In going back to the Declaration of Independence, we find these most significant words:

"We hold these truths to be self-evident that all men are created equal, that they are endowed, by their Creator, with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness. That to secure these rights, governments are instituted among men."

## Constitutional Guarantee

On the basis of these words of the Declaration of Independence, we set up our own government under the written Constitution and all of the signers of the Declaration of Independence and of the Constitution recognized property rights the same as they recognized human rights. The history of the times of our Founding Fathers shows unequivocally that before they would sign the Constitution they insisted that the first 10 amendments, known as the Bill of Rights, be added to the Constitution. Based on the principle that "to secure these rights, governments are instituted among men," the Founding Fathers laid out in the fifth amendment to the Constitution definite words as to the protection of private property,

In article V of the Constitution, they said, "nor shall any person be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation."

The Constitution plainly states that private property was to be regarded as a right the same as life or liberty and laid out the necessary protection of such property. Some time ago, the National Association of Real Estate Boards wrote to Mr. Warren Austin, who was then our United States representative to the United Nations, about the proposed United Nations covenant on human rights, which did not recognize the right to own private property as a human right, but which stated that it was the obligation of the governments becoming parties to the covenant to guarantee adequate housing to their citizens as a matter of political right. I have been informed that no reply was ever received from Mr. Warren Austin on this matter. Subsequently, on Feb. 1, 1954, I wrote to Henry Cabot Lodge, Jr., calling his attention to this matter in the letter set forth below:

"Dear Ambassador: It is my understanding that there is pending in the United Nations a Covenant of Human Rights, which covenant is intended to be presented to the United Nations for ratification. It has been brought to my attention that under this proposed covenant, the right to own property is not being considered a human right, and the language of the covenant would obligate the government that became a party to the covenant to guarantee adequate housing to its citizens as a matter of political right.

"Would you be good enough to inform me of the proposed language of this Covenant of Human Rights covering the problem of housing, and your opinion as to how this proposed covenant will affect the United States if adopted.

"Very truly yours."

## Ambassador Lodge's Position

Ambassador Lodge immediately replied, and his letter of Feb. 8 is as follows:

"My Dear Mr. Sheehan: In reply to your recent letter let me say that the present drafts of the Covenants on Human Rights, as you suggest in your letter of Feb. 1, 1954, do not contain any mention of the right to own property. These drafts were written in previous years long before I became the United States representative and, of course, I have no responsibility for them whatsoever and, in fact, I strongly condemn the omission to which you refer.

"As a matter of fact, in order to correct this, on Jan. 6, 1954, I officially informed the United Nations of the United States position that 'the right to own property is important and that an article recognizing this right should accordingly be included in this covenant' (on economic, social, and cultural rights). It will undoubtedly be considered at the next session of the Commission opening Feb. 23. The proposal reads as follows:

"The states parties to this covenant undertake to respect the right of everyone to own property alone as well as in association with others.

"This right shall be subject to the laws of the country in which the property owned is situated.

"Expropriation may not take place except in cases of public necessity or utility in circumstances defined by law and subject to fair compensation."

"An article including housing appears in the draft Covenant on Economic, Social and Cultural Rights. It reads:

"The states parties to the covenant recognize the right of everyone to adequate food, clothing and housing" (art. II).

"The President announced in 1953 that the United States would not sign or ratify either of the covenants. In reiterating this position to the Commission on Human Rights last year, the United States representative presented a new program which would encourage progress in the promotion of human rights among the various nations of the world without imposing treaty obligations upon them. We anticipate that this new program will receive consideration at the forthcoming session.

"Sincerely yours,

"Henry Cabot Lodge, Jr."

To the credit of the Republican Party, Mr. Lodge set out unequivocally the announced position of President Eisenhower and the Republican Administration when he stated the President would not sign or ratify either of the covenants. The United States presented a new program which would encourage progress in the promotion of human rights among the various nations of the world without imposing treaty obligations upon them.

It is to be noted that the draft of the United Nations Covenants on Human Rights is still in the tentative stage and has not been voted upon in its entirety by the General Assembly or by any of the United Nations Commissions concerned with it. At present the various articles of the covenant are still the subject of individual discussions, preparatory to being agreed upon and presented to the United Nations General Assembly.

## UN Disavows Property Rights

According to the Department of State bulletin of June 25, 1951, it was stated that the Commission on Human Rights had adopted article 23, providing that "states parties to the covenant recognize the right of everyone to adequate housing." The United Nations Human Rights Commission, by their action in turning down the United States proposal that an article be included in the covenant recognizing the right of everyone to own private property, indicates that there is little chance that the United Nations will recognize private property rights as we know them under our United States Constitution.

It is needless to comment on the socialistic implications of this covenant, because property would then be a political right and not a private right, and the taking over by the state of property of any kind would then become the right of the state, and the protection implicit in our Constitution of due process of law might be done away with. I feel that as far as the United States is concerned it will be up to the Supreme Court to decide whether or not the United Nations Covenant, if adopted, will affect the internal laws of the United States. From recent and past decisions and from the Court's interpretations of treaties being the supreme law of the land, I personally feel that we are in danger if this Covenant on Human Rights be adopted, until such time as the Supreme Court makes its final decision on the rights to own private property under the United Nations treaty agreement.

In the United States, there are an estimated 40 million owners of private homes, not counting the owners of land tracts, both agricultural and commercial, which ownership could be seriously jeopardized by this Covenant on Human Rights if officially adopted by the United Nations.

It is imperative that the American people be alerted to the inherent dangers of the socialistic proposals which are contained in the draft of the international Covenant on Human Rights. By being denied the right to own private property, men's rights to life, liberty, and the pursuit of happiness would be endangered in that

without private property the people would be dependent upon the state because of their lack of a reserve of private property.

## In Memoriam

LOUISE LINDSAY MACKAY

Louise Lindsay Mackay, who for a period of 35 years was a faithful member of the *Chronicle's* editorial staff, passed away at 87 years of age after a long and lingering illness.

Miss Mackay, a native of Scotland, settled in St. Johns, New Brunswick, Canada, early in life with her family and started her business career at the *Chronicle* as a secretary in the editorial department in 1905. Miss Mackay was one of the first secretaries on the *Chronicle* staff to take dictation directly on the typewriter, dispensing with the usual handwritten shorthand notes. Gradually Miss Mackay worked into the editorial department of the paper, continuing her duties until 1940, when failing health compelled her retirement. This lusty Scotswoman had a great capacity for making friends, was active in her church interests and always a confirmed optimist in her viewpoint and outlook on life.

A memorial service will be held today for Miss Mackay at St. George's Episcopal Church, Stuyvesant Square, this city, conducted by Rev. Dr. Karl Reiland, rector emeritus of the church, and attended by Miss Mackay's old friends and *Chronicle* associates.

## With Bache & Co.

WILKES-BARRE, Pa.—Bache & Co., members of the New York Stock Exchange, announce that Walter P. Swan has joined the firm's Wilkes-Barre office, Miners National Bank Building.

## Joins Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George R. Lagasse is now connected with Barrett Herrick & Co., Inc.

This announcement is not an offer to sell or a solicitation of an offer to buy these Bonds.  
The offering is made only by the Prospectus.

\$17,000,000

San Diego Gas & Electric Company

First Mortgage Bonds, 2½% Series E due 1984

Dated April 1, 1954

Due April 1, 1984

Price 98.90% and accrued interest

Copies of the Prospectus may be obtained from such of the undersigned as are registered dealers in securities in this State.

SALOMON BROS. & HUTZLER

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EQUITABLE SECURITIES CORPORATION

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STROUD & COMPANY

Incorporated  
THE MILWAUKEE COMPANY

Incorporated  
TUCKER, ANTHONY & Co.

March 31, 1954

## LETTER TO THE EDITOR:

## Contends Dividend Tax Relief Is Purely a Subsidy

Richard Spitz holds dividends should be distinguished from corporation earnings, and "a tax subsidy," by exempting dividends, is inconsistent with opposition of investment fraternity to farm subsidies and tax supports.

Editor, Commercial and Financial Chronicle:

I have noted the article by Dean Neil Carothers, "The Tax on Dividends" and find that he finds the "double taxation of dividend" pitch is a misnomer. It is about time the admission is made by the investment fraternity.

When Dr. Carothers still attempts to justify the misnomer by calling the "double taxation of dividends" economically "sound," but legally, suggests a simpler term for it, "the double taxation of corporation earnings" he not only simplifies the misnomer, but admits it should be made an honest statement of legal fact, by uprooting the very essence of the NYSE "pitch." In any advocacy or argumentation, things should be called by their proper name, and Dr. Carothers' definitive confusion is at least a step in the right direction. In doing so, Dr. Carothers has my deep admiration and respect.

But I cannot agree with his conclusions that dividend payments, called what they may, should devolve themselves into ultimate tax exemption treatment or afforded a tax subsidy, via tax exemption as now proposed in the current tax bill pending before Congress.

First, I challenge the statement that 80% of the earnings of corporations are taken in taxes by the Federal Government, on his own presentation. The present corporate tax is 52%, and if "20% or 30% of total earnings go to the stockholders as dividends," there is an admitted plough-back of earnings to corporations of from 18 to 28% of fiscal earnings, and retention of 48% after a 52% corporate tax is never 80% tax dissipation of earnings.

Secondly, earnings are the vehicle of corporations to pay dividends and when dividends are declared to individual stockholders the shareholder receives dividends from the corporation, and not corporate earnings, for the earmarking of the funds from earnings to dividends, cannot by any stretch of the imagination make Dr. Carothers' thesis making earnings dividends, and dividends earnings, tenable.

Besides, if dividends are to be exempt from taxation, let it also be said that rents from real estate, interest on mortgages receivable, interest on savings account deposits, dividends on savings and loan

association certificates, and the other host of income producing investment media, be likewise exempt, under Dr. Carothers' theory that there shall be no taxation, in whole or in part, of derivative income, but accretion and profit shall be treated as never changing their original form.

Dr. Carothers' arguments are one of convenience and the basis of his confusion is overlooking the plain fact that earnings are properly taxed in the hands of the corporation and when those earnings permit the payment of dividends to individuals, the character of the transaction is from one of considered earnings to one of another character, dividends. Conversely, if no dividends were paid out of corporate earnings, there would be no further taxing, for there would not be any dividends. So why should earnings retained in the corporate business be no further taxed while dividends paid to shareholders are taxed in the hands of the latter? For there has been a progression in the character of the earnings to dividends, and the earnings of the corporate entity afford the declaration of dividend to another, the shareholder. It is a logical progression for the source of corporate funds is sales and the source of stockholder funds from the corporation is dividends. When the dividend money is used to buy an automobile it does not give the shareholder recipient exemption from paying the excise tax on the automobile just because he paid for it with dividend money, a plain example that corporate earnings are corporate earnings, dividends in the hands of the shareholder are dividends, and dividends are not automobiles in the very character of each progression.

Finally, a tax subsidy or tax exemption is only emphasizing the inconsistency of the investment fraternity in being against farm subsidies, price supports and parity prices for other segments of the country, and yet, seeking the very same thing for themselves, a tax subsidy or tax exemption for dividend payments received by them. The latter proposal has been labelled as a discriminatory treatment in favor of the investment segment of the populace by the New York president of the CIO. Dividend tax exemption seekers are leaving themselves open to such a charge that could be overcome by setting

a good example by not themselves indulging in self seeking tax exemption or tax subsidies on a specific source of revenue, as farmers do on some (and incidentally, not all) specific crops.

There is now \$255 billion of national debt. Perhaps by advocating the fiscal amortization of this large sum of debt in the present and future tax bills over a period of years, we would all be on sounder ground rather than seek-

ing a postponement in the paying of taxes (which is all the whole dividend exemption scheme amounts to). By equalizing the tax burden of this country not by tax payer segments, but by treating all segments on a more uniform levy basis—this is the American process of equity, being equality.

RICHARD SPITZ.  
Fortune's Rocks, Biddeford, Me.,  
March 29, 1954.

## LETTER TO THE EDITOR:

## Why Tax Dividend Income?

Edwin T. Hughson, Attorney in Buffalo, N. Y., commenting on Dr. Neil Carother's article in the "Chronicle" of March 25, suggests that instead of taxing dividends received, stockholders be taxed on their respective share of the corporation's earnings, and thus eliminate the tax on corporations.

Editor, Commercial and Financial Chronicle:

Referring to the article "The Tax on Dividends" by Dr. Neil Carothers in your March 25 issue, I wish to call attention to the fact that the 20% credit granted by Canada is reduced by the depletion taken by the corporation, and also by any interest paid on a loan made to purchase the stock.

Canada grants a \$2,000 exemption to a married person who supported his spouse. Canada does not issue tax-exempt bonds. In addition Canada does not only balance its budget, but has a surplus.

It has often been claimed that a stockholder is a partner. For that case why not tax them as partners and relieve the corporation of all income taxes? That would place on an equal basis corporations and partnerships.

The individual would pay a tax on his share of the entire net earnings or deduct his share of the losses, as the fortunes of the corporation would determine. In addition the shareholder would retain his non-liability for assessment in case the corporation got into financial difficulties. And this should be worth something to him.

Having paid a tax on the entire profit of the corporation in case of sale, his gain tax liability would be reduced by the tax paid on any non-distributed income.

Dr. Carothers states that the tax dividend cut, if enacted, will make

stock investment more attractive. That, in itself, should not be convincing to anyone that it is desirable or equitable. We have had an experience where stocks were pushed too high.

I cannot agree that "Every new stockholder means another supporter for free enterprise." Many of the new investors will not pick the right stocks. They may lose and become embittered and turn toward collectivism. The purchase of stocks is not a game in which the average man is the winner.

It follows then that Dr. Carother's statement "I wonder how many Senators know that a vote for the bill is a vote against Communism" is made without due consideration of all the probabilities involved. No one can predict what amount of income received by the taxpayer because of a dividend tax cut will become risk capital. According to the law of averages, percentages will go into tax-exempt bonds, savings accounts, and expenditures for personal pleasure.

Finally, if the so-called double taxation is so obnoxious, I think the entire dividend should be non-taxable and other sources of income be suggested. Maybe the partnership approach should be instituted.

EDWIN T. HUGHSON.  
Attorney at Law  
Marine Trust Bldg.  
Buffalo 3, N. Y.  
March 29, 1954.

## It's a Tax Reform—Not Tax Relief Bill

April issue of the "Guaranty Survey" points out that both sides in the controversy over Federal tax revision seem to overlook its main purpose, namely, a measure for tax reform rather than tax relief.

"Of the hundreds of changes contained in the Federal tax revision bill, all but a few are accepted without dispute," according to the current issue of the "Guaranty Survey," monthly publication of the Guaranty Trust Co. "Most of the controversy has centered on the proposals to reduce the discriminatory tax on dividend income and liberalize depreciation allowances for new plants and facilities," the "Survey" says. "The tax on dividends has been a subject of complaint for 18 years. Until 1936 dividend income was exempted from the individual income tax on the ground that such income had already been taxed in the form of corporation earnings. Since that time, dividend income has been taxed twice—once to the corporation and once to the receiving stockholder. The important point, however, is not that it is a double tax but that it is a discriminatory tax.

"This discrimination, in combination with high tax rates and the exemption of State and municipal bonds, produces some results that are nothing short of fantastic. The rate of yield now obtainable

from tax-exempt bonds averages about 2½%. To equal this yield by investing in corporate stock, an investor in the highest tax bracket would have to receive annual dividends, before taxes, equal to nearly 28% of his investment. To pay such a dividend, the corporation, unless a very small one, would have to earn at the rate of nearly 58%, even if it paid out all its earnings in dividends and retained nothing for expansion of its business. This necessary earnings rate ranges downward to 12% in the case of a stockholder with \$20,000 of taxable income and 7% for one in the \$4,000 income bracket.

"In the face of such figures as these, it is easy to understand why corporations have found it increasingly difficult to finance their capital needs by issuing stock and have been forced to withhold larger portions of their earnings from distribution and to meet their additional capital requirements by going into debt. In too many cases, it simply is not worth while for investors to take risks for the sake of the meager returns obtainable. This is not

the sort of tax structure that promotes the development of a strong, growing, dynamic economy.

"Basic tax reform is long overdue," concluded the "Guaranty Survey," "and the bill now under consideration certainly cannot be criticized as going too far in this direction. In fact, it marks only a beginning. To judge it as an anti-recession device is an error that could result in further continuation of the long-standing evils it aims to mitigate."

## Kingsley Waldron With De Haven & Townsend



Kingsley D. Waldron

D. Kingsley Waldron has joined the New York office of the securities firm of De Haven & Townsend, Crouter & Bodine, 30 Broad St., according to an announcement made April 1. He will be an assistant in the bond department.

Mr. Waldron was formerly with Grimm & Co. as manager of the trading department.

Continued from page 5

## Stassen's London Mission Highlights East-West Headaches

ly necessary to avoid subsequent British-American rifts over fancied American "orneriness" as standing in the way of the desirable depression-preventing Russian orders. Statements as that made by Mr. Stassen here tonight, namely: "We have no objection at all about trade in peaceful goods to Russia. We wish to encourage as much of that category of trade as we can," should make clear the United States position in the non-strategic goods area. But it is unfortunately evident that the American attitude is persistently misunderstood here. Hence it is important to point out now the practical difficulties outside the political area which may subsequently obstruct the attainment of the nice sounding but unrealistic trade goals—for which the United States has no responsibility.

To overlook these facts—or to rest on the sophisticated observation now so widely heard here that unwarranted abuse has always been the price of world leadership—would contribute material aid to the Kremlin's waging of the Cold War!

## Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Robert G. Moroney has been affiliated with Francis I. du Pont & Co., 219 Carondelet St. Mr. Moroney was formerly with Howard, Weil, Labouisse, Friedrichs & Co.

## Proud Papa & Grandpa

The birth of a daughter, Wende, to Verner H. (Mike) Kraft and his wife Jennie Lou, has made a proud father of Verner and a prouder grandfather of Oscar F. Kraft—both of Oscar F. Kraft & Co., 530 West Sixth Street, Los Angeles, Calif.

These Shares were placed privately through the undersigned with a financial institution purchasing them for investment.

New Issue

25,000 Shares

Hewitt-Robins Incorporated

5¼% Cumulative Preferred Stock

\$50 Par Value

F. EBERSTADT & CO. INC.

April 1, 1954.

## Securities Salesman's Corner

By JOHN DUTTON

In the investment business we are dealing with superstition, prejudice and ignorance. For many years the investment dealers have neglected to inform the public of many factors concerning the securities business that would go a long way to clear the air — both for the people in the business as well as investors. One of the largest areas of the investment business that is misrepresented and misunderstood by the general public is the "Over-the-Counter," or unlisted market. Only too often have investors missed opportunities for profitable investment because they have not been properly informed as to the size, scope, and outstanding opportunities which exist in this great market, which is many times larger than all the listed markets combined.

Not only has the public been misinformed by those who consciously, or otherwise, have spread misleading information regarding the unlisted market, but worse still, many conscientious investment men have allowed themselves to be placed on the defensive when a client or prospect says, "I am not interested in any unlisted stocks, I want a good market for my investments," or some other equally unsound and incorrect statement. As a result, only a few intelligent and informed investors have participated in the exceptional growth and income opportunities available in the unlisted market. Those who have familiarized themselves with these opportunities have had a field of choice, and of investment, over the years, that has no counterpart in any other market.

In next week's "Chronicle" there will be a most interesting and dramatically portrayed illus-

tration and proof of the unlisted market's wide field of investment opportunities. I have been privileged to see this article in advance and I would suggest that you watch for it and read it carefully. A list of investment opportunities will be given that may surprise you; also other pertinent data regarding the unlisted market that should be of interest both to investment dealers and brokers as well as their clients.

### You Must Be Sold First

Quite frankly, unless you can become convinced through study and serious research that the unlisted market is replete with attractive investment opportunities that should be placed before your customers, you as a dealer or salesman will certainly fail in your efforts to educate them in an understanding of the excellent investment possibilities available. One of the first steps you can take (if you are skeptical) is to look for the article in April 8 issue of the "Chronicle" entitled "The Biggest Stock Market in America." There you will obtain some facts that will speak for themselves.

In conclusion, I have never had any difficulty showing any other reasonable person that when a security was unlisted it was often an advantage. When a client has said to me, "I don't think I am interested; isn't that stock unlisted?" I've replied, "Yes, that's right. And that is one of the reasons why I believe that this situation is attractive. You know it reminds me of X Corporation that I looked into way back in 1936."

Then I proceed to tell them how I was privileged to see a special engineering report on a certain paper company which was pre-

pared for the benefit of some very large investors. At that time the stock of this company was selling for \$37.00 a share in the unlisted market. After reading the report and checking other sources I became convinced that this company because of its position in the paper industry, its top management, its ample financial resources, and above all its far-sighted research, was going to make a lot of money. I convinced some of my customers to buy it. Today, they hold 880 shares worth about \$20 a share for every hundred they bought upon my suggestion in 1936. Their investment

has grown from \$3,700 to \$17,600 and they are now receiving dividends of \$1,056 a year on their original investment of \$3,700.

And I wind it up, "But you see, Mr. Prospect, those people who had open minds, and who did not let their unsound prejudices keep them from losing an opportunity have benefited accordingly. Those who had closed minds and who refused to see facts lost out. Now I am sure that you too can see the common sense and wisdom in this. When a good investment opportunity arises I want you to know about it—whether it is a listed or unlisted security. That is my ob-

ligation to you as a client." This sort of plain talk usually clears the air.

### Hecht & Co. to Admit

Hecht & Co., 14 Wall Street, New York City, on April 8 will admit Joseph H. Kastor to partnership in the firm. Mr. Kastor will acquire a membership in the New York Stock Exchange. On the same date, G. Axel von Nolcken, member of the Exchange, will withdraw from partnership.

*This is not an offer to sell these securities. They are subject to the registration and prospectus requirements of the Federal Securities Act. Information about the issuer, the securities, and the circumstances of the offering is contained in the prospectus which must be given to the buyer.*

#### NEW ISSUE

#### IDENTIFYING STATEMENT

## MAGNOLIA PARK, INC.

\$2,500,000 6% Subordinated Convertible Debentures

Due April 1, 1969

250,000 Shares of Common Stock

(Par Value 10¢ Per Share)

**PRICE: \$101 per unit (each unit consisting of \$100 face amount of Debentures and 10 shares of Common Stock)**

Magnolia Park, Inc. was organized on July 16, 1953, for the principal purpose of operating a harness horse racing track with pari-mutuel betting privileges in the State of Louisiana. Before the Corporation can commence operations it will be necessary to construct and acquire a racing plant and equipment.

This Offering represents new financing.

#### Redemption of Debentures

The Corporation at its option on thirty days' notice after June 30, 1954 may redeem the Debentures at the time outstanding as a whole or in part by lot, on any date prior to maturity, at redemption prices which will vary from 106% of the principal amount together with accrued interest to the face value of the Debentures, together with accrued interest to the date of redemption, depending upon the date of redemption.

#### Conversion of Debentures

The holder of any Debenture at his option after June 30, 1954 at any time prior to the maturity date, or at any time prior to the redemption date, may convert such Debentures, in whole or in part, into fully paid and non-assessable shares of Common Stock at the rate of one share of Common Stock for each \$2.50 principal amount of Debentures with adjustments under certain conditions and with no allowance for interest accrued on the Debentures or for dividends on the securities issued on the conversion.

The Corporation had outstanding on February 22, 1954, 1,650,000 shares of Common Stock (Par Value 10¢ Per Share), together with an option to purchase 70,000 shares of said Common Stock. The Corporation also has outstanding \$90,000.00 worth of non-interest bearing, non-negotiable promissory notes payable after \$2,000,000.00 of the Debentures offered hereby are sold or if \$2,000,000.00 of the Debentures are not sold by July 1, 1954, payable on demand after July 15, 1954. These notes are held by the management and the underwriters and are payable from the proceeds of this Offering.

*The registration statement covering these securities is not yet effective. No offer to buy or sell the securities should be made and no offer to purchase the securities will be accepted until the registration statement has become effective. The publication of this notice is no assurance that the proposed offering will be made or as to the amount of securities, if any, that will be available for distribution by this firm.*

Copies of the proposed form of prospectus may be obtained from:

**Gearhart & Otis, Inc.**

74 Trinity Place  
New York 6, New York

**Hunter Securities Corporation**

52 Broadway  
New York 4, New York

**T. J. Feibleman & Company**

100 Richards Building Arcade  
New Orleans, Louisiana

Please send me a copy of the proposed form of prospectus relating to Magnolia Park, Inc. 6% Subordinated Convertible Debentures, Due April 1, 1969, and Common Stock (Par Value 10¢ Per Share).

Name.....

Address.....

## \$240,000,000 Massachusetts Turnpike Bonds Expected to Reach Market in May

Underwriting group to be managed by F. S. Moseley & Co., First Boston Corp., Blyth & Co., Inc. and Tripp & Co., Inc.

BOSTON, Mass.—Plans for financing construction of the cross-state Massachusetts Turnpike by issuing approximately \$240,000,000 of 40-year, tax-exempt, revenue bonds are nearing completion according to John O. Stubbs of F. S. Moseley & Co. This firm, together with The First Boston Corp., Blyth & Co., Inc. and Tripp & Co., Inc., are the underwriting managers heading up a nationwide group of underwriters who will offer the bonds to investors. The offering is expected to take place in May.

The new Turnpike, first modern toll road in Massachusetts history, will be a multi-purpose, 123-mile super-highway crossing the State laterally and connecting through feeder routes with practically every other main motor traffic artery in New England. It will be built by the Massachusetts Turnpike Authority which estimates that construction will start in the fall of 1954 and that the Turnpike should be open for travel in the latter part of 1955.

As spokesman for the underwriting managers, Mr. Stubbs said: "While the bonds will have a 40-year maturity, present estimates are that the issue should be paid off out of earnings in approximately 20 years. Two independent engineering studies made by the firms of DeLeuw, Cather & Co. and Coverdale & Colpitts indicate that net income from the Turnpike will cover all principal and interest requirements during the life of the proposed bond issue approximately 1.8 times on the average. Such net revenues in

the first full year of operation will be in excess of one and one-half times the maximum interest requirements.

The studies also indicate that annual gross revenue will exceed \$15,000,000 in 1957, the first full year of operation, will exceed \$20,000,000 in 1966, the tenth year, and in the twenty-first year will exceed \$24,000,000.

The new Turnpike will extend across Massachusetts from a point on Route 128 west of Boston to a terminus near West Stockbridge at the New York state line. Going westerly, it will pass north of Framingham, south of Worcester, north of Springfield and south of Holyoke. Besides offering a choice of two routes to New York City, it will connect with the New York State Thruway to Buffalo and points west. Through Route 128 it will connect with resort areas of Cape Cod on the south and to the north, through Route 1, it will connect with the New Hampshire and Maine turnpikes.

The Turnpike will be four to six lanes wide with additional ten foot safety lanes. As a limited access highway, it will have 14 interchanges strategically located to serve entering and departing traffic. As a route available to trucks for its entire length, it is expected to develop substantial revenues from this source since trucks are barred from many New England parkway routes to New York City. In addition, by expediting truck transportation in and out of New England the Turnpike will assist development of the new industrial growth in the area.

## THE MARKET... AND YOU

By WALLACE STREETE

Industrial shares recovered their buoyancy enough this week to set the stage for penetrating the old high but it solved little overall as far as the future course of the market is concerned. And the strength was so selective that it did little for the bulk of the market followers.

As has been the case since the upturn started last September, days of strength wound up with substantially as many issues unchanged and lower, as those that were higher and carrying the ball. On one day of good rallying tendencies when a critical level was reached, there were 661 issues unchanged or lower against 493 that advanced. A day of even more strength in the industrials produced a score of 526 against 625 sturdy ones which didn't quite prove as unanimous as the well past two points added by the average. A similar score was 557 higher to 615 static.

### Aircrafts Take Off

Aircrafts stood out prominently throughout on strength, the leadership rotat-

ing within the group to bring Boeing Air to the limelight as Douglas relinquished the lead a bit, although not to the extent of backing up to any marked degree. Boeing's performance included daily gains running two to three points. It carried the issue to a gain of some 20 points on the month. The issue long ago broke out to the all-time high field. Another good show was that put on by Glenn Martin which was able to post a price appreciation of better than 20% on the month with the solid help of an earnings statement that showed net income nearly triple the previous year.

### Stockpiling Aids Non-Ferrous Issues

An equally unanimous show of strength—but somewhat newer—was that put on by the non-ferrous metal issues as the prices of the metals continue to firm and on indications that the government intends to pay increasing attention to stockpiling. Most of the issues in the group were able to get a

good lift out of the trough in which they have been sinking for months. Kennecott, which reached 92 in 1952 and then fluttered down to below 60 last year, was able to move back to the 70s. Anaconda, likewise, reached its peak in the mid 50s in 1952 and then declined to the high 20s last year. It struggled back to the mid 30s on the revived interest in the group.

It isn't only the coppers that, in specific price level, belie that tale of the averages that the "market" is at a high for nearly a quarter century. There are many other groups, as well as individual issues, that have a similar pattern.

### RKO at "Premium"

Movie issues, and particularly RKO Pictures, also stood out this week and gave the market an aura of frenzy that wasn't quite in tune with what was actually going on. RKO erupted on volume that might be described as terrific, with blocks crossing the tape that ran as much as 61,000 shares at a clip with 10,000-share trades becoming almost routine in this issue.

The glib explanations for the sudden surge of activity covered the situation seemingly—up to a point. Under the terms of the Hughes offer, equivalent to \$6 a share for the assets of the company, there was a measure of return in purchases below that figure. But the stock raced right to and past the \$6 line and set off a whirlwind hunt by the company itself, brokers generally, and even among those actually handling the orders, to find out why the issue was worth a premium either to so many or to such an extent to some large purchasers.

RKO's "popularity" ran to 383,600 shares in two sessions of hectic activity and something like a third of it was at an eighth of a point premium over the offer. On the last reporting date the short interest was only around 40,000 shares which could have been covered in a single sale with some of the large blocks floating around.

Some of the other somewhat spectacular items around on strength comprised a rather diversified list: Cincinnati Milling Machine, Combustion Engineering, Underwood, Peninsular Telephone, Dixie Cup, Ex-Cell-O and Gould National Battery.

### IBM Star Performance

International Business Machines, the wonder issue of last week, had a brief continuation this week before it

subsided. On one session its peak gain was a score of points which pushed its high about 70 points over the February closing. Even at the high price of the issue—which sells in the 300 range—the improvement was well in excess of 25% on the month. The immediate cause was the company's by-passing of a Stock Exchange ruling against paying stock dividends that, with cash, exceed earnings. Instead the directors voted a 25% stock "split" since splits aren't covered by the rules. It offers a theoretical gain to the stockholders. The original intention, overruled by the exchange, had been a 5% stock payment; the intervention cut it to 2½%. It is conceivable that the two payments might have been 5% each if the case hadn't come to a head, while under this system the two payments will total 27½%.

Some of the specialties which have been popular mostly because of merger talk had trying times as the official denials caught up with the misplaced enthusiasm. Luly Tulip Cup, for one, tumbled a bit sharply when it denied any such intentions but it recovered on good earnings. Mullins Mfg. favored the soft side after officials indicated that there was nothing to talk of any union with American Radiator.

### Steel Shares in Demand

U. S. Steel had some moments of determined buying to keep the ferrous section, if not spectacular, at least among the better acting divisions. Bethlehem Steel, too, showed a disposition to push ahead with some conviction when the trend was pointed uphill.

Oils were undistinguished as a group, although a few issues appeared in the spotlight occasionally. Honolulu quieted down after it had proved its ability to move widely at times. Seaboard Oil, which went through a parallel demonstration, held up just a shade under its high with determination.

Utilities, which have been aping the persistent industrial advance in a more quiet but equally satisfactory way, showed a few signs of nervousness but on average were able to add enough minor gains together to cross the 56 line and carry comparisons back to 1930.

Auto issues took little part in the market's gyrations and their day-to-day fluctuations were minor. Chrysler was able, occasionally, to appear among the better gains but

little progress was made overall and in the light of the rough handling given Chrysler through last year and early this year, respectable rebounds can be considered normal.

### Industrial Index Up

Technically the market did little of importance. New highs continue to run well ahead of new lows, despite the fact that there are a handful of repeaters each day. Volume indications offered no hints and, although the broadest markets of the year have been the weak ones, enough of the stocks in the averages have been strong to keep the industrial index up well. Last week it dipped to the resistance level at around 295 and rebounded. The big argument is whether the industrials alone, without assistance from the rails, can continue to advance indefinitely. To that there is no pat answer.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Continued from page 2

## The Security I Like Best

the last few months some dramatic developments have occurred, adding to the reserves of the company and spotlighting Seaboard. In Canada the company participated in the discovery of Pembina, Canada's largest oil field. It is too early to predict reserves accurately, but I believe that the company may have added 35 million barrels or 20% to its reserves. In recent weeks attention has been focused on the Cambrian sand possibilities of Nolan County, Texas. Reserves in this sand may be 1 to 1¼ million barrels per well, and Seaboard has substantial acreage interests which may be in this trend. No doubt the prospects and exciting acreage plays will change in time and disappointments will be mixed with a few successes. The discovery factor in oil producers is both vital and unpredictable. However, it is the job of the company to discover new oil fields. Seaboard's record has been quite satisfactory in the past, and the stock at the present price of 11½ (listed on the NYSE) continues to afford opportunities for better than average capital gains.

### Hegamaster, Netter With White, Weld

Donald Z. Hegamaster, formerly with Braun, Bosworth & Co., New York, has joined White, Weld & Co., 40 Wall St., New York City, members of the New York Stock Exchange, in the firm's municipal bond department.

Joseph Netter, II has also joined the firm to direct and coordinate the mutual fund activities.

### With Carl F. Mead

(Special to THE FINANCIAL CHRONICLE)  
MARIETTA, Ohio—Richard J. Blauvelt is with Carl F. Mead & Company, Peoples Bank Building.

## Anniversary

We had the privilege in our first year as underwriters to provide financing for three new issues.

MICRO MOISTURE CONTROLS, INC.  
SHAWANO DEVELOPMENT CORPORATION  
PETACA MINING CORPORATION

Our judgment in the selection of these companies, and the confidence of thousands of new customers can best be exemplified by the fact that these securities are selling well above the issue price.

We extend our thanks to the dealers who cooperated in the distribution of these securities, as it was their enthusiastic support that enabled us to complete our first year so successfully.

We want to make this dealer relationship both deeper and wider. A basic market-strength is dealer-strength. Get in touch with us.

**McGrath Securities**  
CORPORATION

70 Wall Street, N. Y. 5, N. Y.  
WHitehall 4-0175

## EQUITABLE REPORTS FOR 1953:



## Why most Americans stand straighter today

**Equitable's President tells a story of self-reliance and how it grows as insurance grows**

Nearly 90,000,000 Americans are now protected by life insurance...

A tremendous figure?

Yes. But looking at it another way it is pretty strong evidence that there's a whale of a lot of self-reliance in the make-up of the average American.

He's determined to stand on his own two feet...to face the future with confidence.

And he's learned that one of the best ways to do it is through insurance.

We are pleased to have helped so many of these Americans stand just a little bit straighter.

The Equitable Society today helps protect over 8,000,000 people—a record number!

To see what lies behind their self-reliance, look

at the figures in The Society's Annual Statement shown here.\*

While we are the fifth largest corporation in the United States, we're not in business just to publish big figures.

We are in business to help more Americans help themselves to individual security and independence.

To this end we are continually developing new kinds of insurance...using the tool of intensive research to create modern and forward-looking policies.

Recently, for example, we pioneered a new Major Medical Expense Policy. Now we have revised and liberalized it still further. This policy helps protect families against financial disaster resulting from costly or prolonged illness. Its coverage is broadened...its cost is reasonable.

We believe this policy clearly demonstrates how independent citizens, working through a mutual company, can build for themselves the kind of insurance program Americans need.

*Ray D. Murphy*

RAY D. MURPHY, President

\*For further information a copy of the President's report to the Board of Directors may be obtained from any Equitable Agent or by writing to the home office.

### Condensed Statement of Condition as of December 31, 1953

RESOURCES			OBLIGATIONS		
		Per Cent			Per Cent
<b>*Bonds and Stocks</b>			<b>Policyholders' Funds</b>		
U. S. Government obligations	\$ 537,143,008	( 7.6)	To cover future payments under insurance and annuity contracts in force	\$5,774,716,774	(82.0)
Canadian Government obligations	140,791,994	( 2.0)	Held on deposit for policyholders and beneficiaries	361,449,761	( 5.1)
Public utility bonds	841,936,321	(11.9)	Dividends and annuities left on deposit with the Society at interest	184,619,091	( 2.6)
Railroad obligations	644,725,557	( 9.2)	Policy claims in process of payment	36,155,056	( 0.5)
Industrial obligations	2,180,861,446	(31.0)	Premiums paid in advance by policyholders	87,393,308	( 1.2)
Other bonds	285,218,187	( 4.0)	Dividends due policyholders	6,931,122	( 0.1)
Preferred and guaranteed stocks	126,735,858	( 1.8)	Allotted as dividends for distribution during 1954	99,300,203	( 1.4)
Common stocks	7,095,892	( 0.1)	<b>Other Liabilities</b>		
<b>Mortgages and Real Estate</b>			Taxes—federal, state and other	26,632,000	( 0.4)
Residential and business mortgages	1,339,268,682	(19.0)	Expenses accrued, unearned interest and other obligations	13,064,616	( 0.2)
Farm mortgages	266,765,635	( 3.8)	Mandatory security valuation reserve	33,039,395	( 0.5)
Home and branch office buildings	11,852,951	( 0.2)	<b>Surplus funds</b>		
Housing developments and other real estate purchased for investment	175,153,309	( 2.5)	To cover all contingencies	421,436,865	( 6.0)
Residential and business properties	163,957	( — )	<b>Total</b>	<b>\$7,044,738,391</b>	<b>(100.0)</b>
<b>Other Assets</b>					
Cash	89,367,235	( 1.3)			
Transportation equipment	114,938,086	( 1.6)			
Loans to policyholders	167,474,689	( 2.4)			
Premiums in process of collection	56,660,533	( 0.8)			
Interest and rentals due and accrued and other assets	58,585,051	( 0.8)			
<b>Total</b>	<b>\$7,044,738,391</b>	<b>(100.0)</b>			

\*Including \$6,151,628 on deposit with public authorities. In accordance with requirements of law all bonds subject to amortization are stated at their amortized value and all other bonds and stocks are valued at the market quotations on December 31, 1953, as prescribed by the National Association of Insurance Commissioners. In addition, as required, a security valuation reserve is included among the liabilities.

THE **EQUITABLE** LIFE ASSURANCE SOCIETY OF THE UNITED STATES  
HOME OFFICE: 393 SEVENTH AVENUE, NEW YORK 1, N. Y.

# Finance Company Loans In Bank Portfolios

By THEODORE H. SILBERT\*

President, Standard Factors Corporation, New York City

Pointing out finance companies do not compete with banks but are dependent on bank cooperation, Mr. Silbert maintains the finance industry is a service agency of the commercial banks, as well as being their largest single customer. Lays down as guide posts to banks in supplying credit to finance companies: (1) the sum total of character, integrity, background experience and profit-making record of the borrower; (2) a proper determination of terms, rates and loss ratios; (3) the record of bad debt losses; (4) proper credit limits, and (5) a reasonable emphasis on volume of accounts financed. Discloses that one-third of commercial banks are now engaged in wholesale lending to finance companies.

The existing relationship between lending banks and borrowing finance companies is destined to become more important each day in the foreseeable future. The man on the street may think that finance companies compete with banks. But actually, the specialized finance companies could not be in business long without the cooperation of the banks. In reality, the relation of banks and specialized finance companies may almost be called that of a partnership. We receive about \$3.00 in loans from banks for every dollar we risk. You provide the "leverage" necessary for profits.



Theodore H. Silbert

When we talk of specialized finance companies, we have in mind three main classifications, each with distinct and special characteristics. One classification of specialized finance companies deals with financing of retail and installment paper, and certain limited wholesale. Another classification deals with direct personal loans. A third classification deals with financing of accounts receivable and factoring. All three types are usually bracketed under the general category of specialized finance companies.

The specialized finance industry considers itself as a service agency for the banks. The industry often describes itself as the retailers of credit, and the banks are the wholesalers. Together, they discharge an important function. Together, they provide for the legitimate financing and banking needs in consumer credit, and of growing businesses.

The specialized finance industry is the largest single customer of banks in the country—accounting for an estimated 22% of all bank loans in 1953. This includes not only loans to the finance industry, but also direct lending by banks, through their own time sales, consumer credit and personal loan departments.

If this is not enough, we could point up the strong tie between finance companies and their borrowings from the commercial banks. For example: the total of all bank loans, at Dec. 31, 1953, was approximately \$68 billion—including \$27½ billion of commercial loans. Our estimate is that, directly and indirectly (by way of loans to finance companies, or direct consumer credit to the public), banks have \$15 to \$16 billion in this field of finance.

Thus, at the present moment, the specialized finance industry is one of the banks' most important customers. Indications are

that we will be even more important in the future. Hence, it is a prime requisite for each bank officer to familiarize himself thoroughly with every aspect of the specialized finance industry. Were I a young bank credit man starting on a career today, and satisfied that this field is destined to become greater, I most certainly would become expert in it—the better to attain excellent credit criteria and judgment.

Surely, there is no other industry which, during the last 40 or 50 years, has borrowed so many billions of dollars from the banks, with such a splendid record, as the specialized finance industry. The few losses that developed in 1948 were due either to downright dishonesty on the part of the borrower, or to the bankers' disregard for elementary and fundamental inquiry. On the whole, no other industry has shown the enviable record that specialized finance companies developed as borrowers.

## Finance Company-Bank Relationship Should Be Expanded

Since most of your own bank income is derived from commercial loans, and the specialized finance industry is the largest borrower within the commercial loan portfolio, it follows that we should try to expand this relationship, not alone for our own selfish interests, but for the welfare of the country. This is not the time to contract credit arbitrarily. This is the time to build mass production through lower prices and with the aid of mass credit. Mass credit is our secret weapon, sensibly controlled, which can help avoid a serious recession.

It is anticipated that the population in this country, in 1975, will be between 200 and 221 million. Manufacturing industries in this country now have total assets of about \$165 billion, or about \$12,000 per production worker. If we create 22 million new jobs by 1975 in order to take care of the expanding population, and if each job requires about \$12,000 investment in assets, American businesses will have to be increased by \$265 billion in assets in order to do the job. This is apart from the need and cost of replacing old equipment. Thus, the partnership between banks and the specialized finance companies will be required to provide the sinews for industry and consumer credit to expand and keep pace with the needs of our growing population.

## Guide Posts in Supplying Credit To Finance Companies

May I discuss with you some of the important yardsticks in this field, such as you may want to observe, creditwise, to develop maximum expertness in the finance company field? I refer to your formulating judgment on the question and desirability of extending loans to specialized finance companies. I think five guide posts are important for you.

(1) Number one, of course, will

always be the sum total of character, integrity, background experience, and profit-making record of the specialized finance borrower. Each diversified type of financing, while highly desirable, requires individual appraisal. The valuation of the installment paper and time sales paper must be determined. It is important to know the length of terms of retail paper, the approximate gross service charges, the insurance facilities, insurance loss ratio, and the bad debt losses on the retail volume. Sometimes, loss ratios can be deceptive. It is important to know whether a finance company is operating on a recourse or non-recourse basis, whether a large part of the volume is new or used cars.

(2) As to direct personal loans, there must be determined the terms, rates and loss ratios. Very often personal loan loss ratios are not the final word. In some areas of the country, higher rates support greater loss ratios which are considered normal. This is dependent, too, upon the laws of the states in which the companies operate. Valuable industry comparative statistical data, made available by the Robert Morris Associates, First National Bank of Chicago, and finance trade associations, can be used for portfolio evaluations. I recommend use by you of the Robert Morris Questionnaire. The portfolio data contained therein, which finance companies make available to bank credit men, go a long way toward supplying most of the pertinent facts required for your credit judgment. Possibly the most critical test of any finance company is the content and complete examination of its portfolio. The next most important test is the specialized finance company's liquidity.

(3) Then there is the history of bad debt losses. If I were judging credits for banks, a major portion of my consideration would go to study of the liquidity and concentration. Discussing the meaning of concentration, we in the specialized finance industry think of concentration in terms of the ultimate debtors. Bank credit men think in terms of single name paper and balance sheet ratios of current assets to current liabilities.

When a manufacturer, for example, has financed one-quarter million dollars in accounts, we do not think of the total sum of \$250,000 as representing a single concentration. We think in terms of the ultimate debtors involved. If there is no single debtor who owes more than about 20% of the total of the \$250,000, we feel that we are reasonably free from concentration. In bank parlance, a single name note from one of your customer-borrowers is not to be confused with the client of a specialized finance company who may have 25 debtors, each having its desirable diversification characteristics, since no debtor owes more than 10% of the total amount. We are not concerned with ratios of current assets to current liabilities. We are, of course, extremely analytical of the accounts receivable which are offered for sale or pledge.

(4) We may also have to revise our thinking about borrowing limits for the specialized finance company. Often we see banks willing to rediscount for specialized finance companies to the extent of five to 10 times their net working capital. On an unsecured basis, these same banks would not lend more than two to four times net working capital. Assuming there is integrity, ability and honesty in the management, use of the collateral or rediscount arrangement is archaic, because finance companies have no liabilities other than bank credit.

(5) As to the open accounts re-

ceivable and factoring business, an analysis of this type of business requires first, examination of the type of accounts and the goods sold and delivered; second, examination of the dilution and returns, and most emphasis should be placed on liquidity, and seasoned and experienced finance company personnel. If there is any unimportant facet, it is the over-emphasis many bank credit men place on volume of accounts financed as an important indicator.

Like many of my colleagues in our field, I prefer to relate, as far as possible, all ratios to average cash outstanding—most particularly in a diversified operation. Banks have the right to insist that the lines of credit, and the ratio of lines of credit should be based on finance assets only, and not on items placed "below the line on the balance sheet," as extraneous assets. We know that consolidated financial statements are often not a good guide to a clear credit analysis. It is important to obtain individual statements of the specialized finance borrower, and all subsidiaries. One of the reasons I strongly urge you to become familiar with specialized finance companies is that we can thus prepare ourselves to meet the expanding needs of our country's economy.

In order to develop more bank lines for the specialized finance companies—and hence more business for the banks—there is another area in which you, as bank credit man, can help. I have in mind the smaller country banks, your correspondent banks.

## One-Third of Commercial Banks In Wholesale Lending to Finance Companies

Today, we find that about one-third of the 15,000 commercial banks engage in wholesale lending to finance companies. But many of the smaller banks, while they may occasionally buy commercial paper, are not so active in this lending field as they should be. You can do much to alert the self-interest of the smaller banks throughout the country to the need and importance of developing a closer relationship between specialized finance companies and smaller banks. Also, the deposits which specialized finance companies can make available to smaller banks in consideration of lines of credit, should be a greater attraction than the commercial paper, which carries with it no commensurate deposit balance of the finance companies.

In this direction, one finds quite often that the top 10 specialized finance companies almost monopolize the limited lines that are now available, whereas many of the 4,500 to 5,000 specialized finance companies, many having capital funds in excess of \$1 million, are unable, even in their own communities, to obtain the necessary lines of credit. This is particularly true if the smaller finance companies are located away from the important reserve city banks.

Here is an opportunity for you, over a period of time, to educate the smaller banks to the advantages of the direct lending and line relationships with specialized finance companies. Of course, we know that the largest banks in the leading cities do make available substantial lines of credit to finance companies. I also recognize that fully two-thirds of the 15,000 banks may not make unsecured loans in excess of \$15,000 or \$20,000 because of capital funds under \$200,000. Yet, within the moderate-sized and fairly well capitalized banks, there are hundreds, perhaps thousands, of banks that could qualify in this lending group.

From a recent confidential questionnaire, circulated among a

number of banks throughout the country under the auspices of the Robert Morris Associates, I have interesting figures to report to you, from which you can draw your own conclusions. Approximately 750 questionnaires were sent out; 363 were returned. About 300 of them were used in connection with this survey; the remainder did not show sufficient data for our purposes. The most significant figure was that the five largest finance companies in the country utilized 62%—this is an average figure—of all the lines of credit available to finance companies. From the questionnaire, it is not readily ascertainable that it is the same five large companies in each instance, but the assumption must be that, in all probability, reference is to the five largest financial companies in the country.

The significance of these statistics is that the largest amount of credit flowing from banks with capital from \$2 million to \$25 million, goes to large finance companies, while hundreds of medium-sized and several thousand smaller-sized finance companies are left to scramble for adequate bank credit. From the figures we have just quoted, it is quite evident that there is considerable room to expand bank lines to many of the smaller and medium-sized finance companies, to the profit of bank lenders.

## Statistics on Bank Credit Lines

The following statistics on bank credit lines to finance companies, as a percentage of their deposits, should be interesting to you. Banks with under \$5 million in capital, on the average, have only 3% finance company lines as a percentage of their deposits. Banks with over \$25 million in capital have about 4¼% in finance company lines as a percentage of their deposits. The average finance company line is 4% of deposits. This is apart from direct finance and consumer credit lending operations of banks. It does, however, point up the percentage of finance company bank lines, in relation to bank deposits, as being still low.

As to the question of utilization of all of the lines, it is very interesting to know that, with respect to banks having capital of under \$2 million, lines granted to finance companies were utilized, on the average, to the extent of 76%. In the case of banks having capital of over \$25 million, these lines were utilized, on the average, to the extent of 53%.

Evidently, the larger companies, dealing with the larger banks, were able to raise working capital requirements through the sale of commercial paper and long-term debt. Instead of concentrating all loans to a few large finance companies, many of the smaller banks could profitably join, perhaps in syndicate form, to extend loans to the medium-sized finance companies.

Each year Standard Factors Corporation prepares a Roster of the 100 Largest Specialized Finance Companies, including finance companies with capital funds in excess of \$1 million. From this Roster we have determined that the top 23 companies—most of which operate nationally and regionally—have capital funds in excess of \$10 million each. We define capital funds to include capital and subordinated debentures. Therefore, there are approximately 80 companies or more, with capital funds of between \$1 million and \$10 million, operating, for the most part, on local and regional bases. These we identify as the medium-sized finance companies. Most of these specialized finance companies might qualify as excellent borrowers. It is these medium-sized

\*An address by Mr. Silbert before the Bank Credit Associates of New York, New York City, March 18, 1954.

finance companies that will fully utilize their bank lines.

#### Advantages to Banks in Lending To Finance Companies

From an earnings standpoint, I should like to point out certain advantages of the wholesale lender (i.e., the bank), as against the retail lender (i.e., the finance company). In 1953, Standard Factors Corporation earned about 4%, or \$409,000 before taxes, on the average cash outstanding. In that same year, we paid our banks about \$330,000 in bank interest, about 3.30%, also before taxes and bank overhead.

To our banks, the cost of servicing Standard's loans did not compare with the cost of servicing the \$110 million of multiple daily transactions by Standard for its hundreds of clients. The point here is that banks have not only the protection of Standard Factors' \$4 million in capital funds to protect them from losses, but they earned practically as much as wholesalers of the monies, as Standard did as retailers. Moreover, this was after Standard paid the overhead toll, without the banks having any of the comparable risks, or multiple servicing expense requirements.

Another specialized finance company, showing similar statistics, is Commerce Acceptance Company of Atchison, Kansas. For the fiscal year ended Sept. 30, 1953, Commerce Acceptance earned about 4%, or \$303,000 before taxes, on approximately \$8 million average cash outstanding, and paid the banks about 3% interest, or the approximate sum of \$232,000.

I wish to point out here that, under any fair system of accounting, when a bank is engaged in the direct lending business, for purposes of comparison, the gross return on average cash outstanding would have to be at least 10% per annum to cover overhead expenses and be on the same basis as the finance companies.

About 25% to 30% of the annual gross income of the average specialized finance company is additionally available to bank lenders as protection, after all expenses but before taxes—apart from stockholders' capital risked by the finance companies. This is additional protection of bank loans to finance companies.

This umbrella of earnings before taxes is not an inconsequential margin of safety for banks and institutional holders of subordinated debentures. For example, last year Standard Factors Corporation had a gross income of about \$1½ million. The sum of \$409,000 net profit before taxes was thus additionally available as a cushion against losses. In the case of the larger companies, the umbrella—percentage-wise—of additional protection is even greater.

I should like to conclude, as I started, by emphasizing the welfare of our economy. A great opportunity is offered to bank credit officers to learn everything there is to know about our field of specialized finance. Grapple with it; study the field. The specialized finance industry is perhaps your most important customer today. In the foreseeable future, we will perhaps occupy an even more vitally important role.

Banks and finance companies do not compete; they cooperate! Let us strengthen our partnership. Please remember the specialized finance companies are your service agencies. We are equipped to serve the recurrent multiple transactions of financing the small businessman, and the installment financing and consumer credit needs of the American public. With your help, the successful partnership that already exists between the specialized finance companies and commercial bank-

ers will continue to finance the urgent needs of industry and consumers, and help build a greater and stronger nation for all of us.

### Merrill Lynch Group Offer Winn & Lovett Grocery Debentures

Merrill Lynch, Pierce, Fenner & Beane and associates yesterday (March 31) offered \$10,000,000 Winn & Lovett Grocery Co. sinking fund debentures, 3¼% series due 1974 at 100½% and accrued interest.

Net proceeds from the sale of the debentures will be used to the extent of \$4,400,000 to prepay outstanding loan term notes payable, and the balance will be added to

the company's general funds. These general funds may be used for the payment at maturity of \$2,000,000 presently outstanding commercial paper due June 25, 1954; to carry increased inventories; for the further expansion and improvement of the company's chain of stores, warehouses and other facilities; and for the possible acquisition of other food stores or chains of stores.

Redemption of the debentures may be made at prices ranging from 103¾% to par. Sinking fund debenture redemptions may be made at receding prices from 100½% to par.

Winn & Lovett Grocery Co. operates a chain of retail self service, cash - and - carry food stores which deal in groceries, meats, fruits, vegetables, dairy

products, seafood, frozen foods, ice cream, bakery products, tobacco, candy and certain household supplies and other goods usually sold in general retail food business. All of the company's 192 stores operated at Jan. 9, 1954 contain meat and produce departments and carry a complete line of frozen food products, the major part of which is distributed directly from the company's own warehouses. All stores have complete self-service dairy departments. The majority of the stores sell beer and many also sell wine.

The company's stores are operated under the names "Lovett's," "Margaret Ann," "Kwik Chek," "Steiden," "Table Supply," and "Piggly Wiggly." The company operates in Florida, Georgia, Alabama, Kentucky and Indiana.

### Troster Campaigns for Uniform Traffic Signs

Col. Oliver J. Troster, Troster, Singer & Co., New York City, is campaigning for the adoption of uniform traffic signs throughout the United States, similar to those used abroad. Col. Troster has an attractive card showing the signals which he favors, as used in Europe.

#### Akin-Lambert Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold T. Collins has been added to the staff of Akin-Lambert Co., Inc., 639 South Spring Street, members of the Los Angeles Stock Exchange.

## THE STORY OF A BUSINESS THAT'S READ BY MORE PEOPLE THAN MANY A BEST SELLER



Uncle Sam's busy mail carriers recently delivered more than a million and a quarter copies of a newly published book. You wouldn't exactly call it a best seller, yet it has no doubt already been read by more people than many books on the best seller list. Every line in this book is true, yet for sheer drama it sets a pace that fiction would find hard to follow. It is the most modern of modern history—American history—newly made and still to be made.

It is the latest edition of the report that goes each year from the American Telephone and Telegraph Company to its shareowners—the people who provide the money to build the telephone system.

In our school history books we read with a sense of wonder about the laying of a cable across the Atlantic that carried messages in faint dots and dashes.

This modern history book tells of a new kind of cable soon to be laid on the ocean floor that will carry thirty-six messages at one time from continent to continent, not in dots and dashes but in the human voice itself.

It tells the dramatic story of television networks serving 161 cities, of

network color television soon to be in the American home.

It tells of guided missiles that will guard our great cities against air attack, and of telephone warning systems reaching to the far northern shores of our continent.

It tells of new devices coming out of the laboratory and into the telephone system. One of the most striking of these is the tiny transistor—the mighty mite of our electronic world.

But these dramatic chapters are dwarfed by all that is implied in the simple statements that America in 1953 passed the fifty million mark in telephones, that 80% of all Bell telephones are now dial, and that nearly

half of all your Long Distance calls are dialed by the operator straight through to the distant telephone.

A thrilling story surely of things done and to be done, but chiefly it is a story not of things but of people. In the words of Cleo Craig, President of the American Telephone and Telegraph Company, "Ours is a service of neighbor to neighbor—human, personal, friendly, courteous."

"All the progress told in this annual report is the work of men and women, the people of the telephone companies, of the laboratory, of the manufacturing and supply organization. To say that 1953 was a constructive and successful year is also to say 'They made it so.'"

Would you like a copy of the report? We'll be glad to send it to you. Just address the American Telephone and Telegraph Company, 195 Broadway, New York 7, N. Y.



## Getting the Maximum Tax Yield On Bonds Sold Before Maturity

By L. WILLIAM SEIDMAN, CPA  
Seidman & Seidman, Certified Public Accountants

Pointing to the increase in the number of bonds selling at a premium, Mr. Seidman contends this affords bondholders opportunity for a tax advantage. Illustrates his point by an example but urges caution, since the advantage depends on the amount of the premium in the bond price and the size of the investment.

Like Humpty-Dumpty, interest rates have taken a great fall, and apparently, few of the Administration's men are interested in putting them back up again. This reduction in interest rates means that many bond buyers are finding themselves in the favorable position of owning bonds which are selling at a substantial premium above their face value and above purchase cost. The premium, of course, reflects the fact that the bond carries a higher coupon interest rate than the prevailing interest yield.



L. William Seidman

The increase in the number of bonds selling at a premium affords the holders an opportunity for tax advantage. To illustrate the point, let us first take the case of a corporation which owns U. S. Government bonds selling at a premium, and the interest on which is fully taxable. Our corporate holder has \$100,000 of these bonds which are worth, because of the premium, \$105,000. They are ten-year bonds with a coupon rate of 2½%, but are selling on a 2.38% basis.

If the corporation continues to hold these bonds until maturity, it will receive interest at the 2½% rate, or \$2,500 a year for ten years, making a total of \$25,000. Assuming a corporate tax rate of 50%, it will pay one-half of this amount to the government in taxes and will retain a total of \$12,500. On the other hand, if our corporate holder sells the bonds now and immediately repurchases the same bonds, the tax results go something like this:

The bonds, we will assume, were purchased on issuance at par, and will be sold for a 5-point premium, so the corporation will immediately incur a capital gains tax on the gain of \$5,000. At a capital gains tax rate of 25%, the tax will be \$1,250, leaving the corporation with \$103,750 to reinvest.

The immediate repurchase of the same bonds, selling at 105, results in the purchase of face value bonds of \$98,800. The difference between the \$98,800 and the \$103,750 represents the premium paid on such bonds. The coupon interest income from these bonds will be \$2,470, or \$24,700 for the ten-year period. But this is not the taxable income, because the premium paid of \$4,950 can be amortized (that is, deducted in annual installments) over the life of the bond. This results in taxable interest of \$1,975 per year, or a total of \$19,750 over ten years. Applying the 50% corporate tax rate to this amount we find that the corporation pays a tax of \$9,875

which deducted from the \$24,700 leaves a net after taxes of \$14,825. Deduct from this the difference in redemption value of \$1,200 (\$100,000 as against \$98,800 on repurchase) and you have a net income of \$13,625, or \$1,125 more than it would have been if the corporation had merely sat with the original bond investment. This is nearly a 10% increase in income.

### Reason for the Net Gain

The reason for the net gain is not difficult to find. By selling, the company is realizing its premium as a capital gain, while by holding, it is realizing its premium by the way of increase interest, taxable at ordinary rates. The advantage, however, is limited solely to the amount of premium above par realized on the sale.

A word of caution should immediately follow this example. The foregoing illustration assumes a constant corporate tax rate of 50%. To the extent that the tax rate is reduced during the ten years, the differential will narrow. Further, a reduction in the capital gain rate would have made it more advantageous to wait until such reduction were in effect before the sale were made. No provision is made in the computation for the cost of sale, and repurchase, because ordinarily it is too small to change the effect of the transaction.

A final item to be noted is that the sale involves a prepayment of tax. In the example, \$1,250 was prepaid by the taxpayer and thus was lost for investment purposes. However, the loss of this amount of money over the period to bond maturity is minor compared with the tax saving as shown by the foregoing figures.

### Advantage Especially Important to Banks

The advantage of "turning over" bonds in this manner is especially important in the case of large investors such as banks. Of course, the shorter the term of the bond, the less risk there is of tax rates changing substantially and thus the more certain becomes the tax saving. A bank will, of course, generally be in an advantageous position from this point of view.

While the foregoing illustration deals with corporations, the same rules apply to individuals. To the individual in the top brackets, the saving is even more pronounced than that for the corporation because the differential in the tax rate between ordinary income and capital gain is much wider. In fact, if an investor in the 90% individual income tax bracket were to undertake the sale and repurchase previously described in our corporation illustration, his net return after taxes would be \$5,725 as against \$2,500 if no action were taken. This is a net saving over the ten-year period of \$3,225, or over 100% increase in return. Of course, an investor whose tax rate was in the lower brackets would make little saving.

The accompanying table indi-

cates the saving to individuals in the various tax brackets if each undertook the same type of transaction originally outlined, that is, the sale of \$100,000 worth of ten-year bonds purchased at par. The sale at the current premium of 5 points to be followed by an immediate repurchase of the same bonds at the total sales price less capital gains tax. The repurchased bonds will be held to maturity.

One further point with respect to bonds whose interest is fully taxable. For purposes of illustration it has been assumed the same bonds will be repurchased. This is not necessary. The tax gain results from the sale of bonds which have appreciated over par since purchase. The repurchase can be made of any bonds with the same yield. In fact, if reinvestment is made in bonds selling at a discount, the tax advantage will be even larger.

As explained in a previous article ("How to Get the Maximum 'After Tax' Yield on Bonds"—*Commercial & Financial Chronicle*, Oct. 22, 1953) the investment rule is that, insofar as taxes are concerned, it is advantageous to buy taxable bonds at a discount. Our corollary can now be that "it is advantageous to sell taxable bonds which are selling at a premium if the sale will result in a capital gain to the investor."

In the case of bonds, the interest on which is tax-exempt, the opposite conclusion is reached. A bondholder who owns a bond of this character and sells it at a gain will pay a capital gains tax on the appreciation. However, if he holds the bond to maturity and merely collects interest, he would pay no tax. Again, premium merely represents a change in the interest rate, and the payment of tax on this adjustment is undesirable. Referring again to the sale of the \$100,000 2½% bond which is selling at a 5-point premium, but this time assuming that the bond is tax-free in nature, the net result to the individual of a sale and repurchase will be a loss, representing primarily the capital gains tax paid. If the bond were held to maturity, \$2,500 annually of net after-tax income would be received. On a sale and repurchase the net income is reduced to the equivalent of \$2,350 annually, (the difference being 1/10th of the \$1,250 capital gains tax).

To summarize, an easy investment rule of thumb, insofar as taxes are concerned, is, other factors being equal:

(1) There is an advantage in selling taxable bonds which are on a premium basis if the sale will result in a capital gain to the seller. Repurchase of bonds selling at the same yield rate must be made.

(2) There is a disadvantage in selling a tax-exempt bond on which the investor will have a capital gain.

## American Exchange 25-Yr. Club Elects Officers

At the annual meeting of the American Stock Exchange Employees' Quarter Century Club, Joseph R. Mayer was elected President, Isidore B. Kamp, Vice-President, Francis X. Gaudino, Treasurer and Bernard T. Supple, Secretary.

Mr. Mayer is Assistant Treasurer of the Exchange and director of the finance department. He joined the Exchange as a bookkeeper in 1924 and became Assistant Treasurer in 1939. He is a member of the Wall Street Post of the American Legion and served in the U. S. Army during World War II.

The American Stock Exchange Employees' Quarter Century Club, organized in 1946, is composed of employees who have been on the staff of the Exchange for 25 years or longer.

## Some Aspects of Open End Mortgages

By JOHN J. MACKEY\*  
Solicitor, Dime Savings Bank of Brooklyn

Mr. Mackey explains use of "open end" mortgage type of lending represented by readvances to borrowers. Says this type of mortgage is much less burdensome than FHA modernization loans. Holds many merchandizing outfits selling household equipments are particularly interested in furthering this "open end" mortgage type of financing.

Many people are under the mistaken impression that the "open end" mortgage type of lending is of recent vintage. On the contrary, this type of mortgage had its inception in England many years ago where it was recognized under their Common Law. It found its way to this country at the very beginning and is quite generally used now in a number



John J. Mackey

of states outside of New York.

Some of these states have enacted legislation establishing the priority of readvances made on this type of mortgage over intervening liens. In New York, however, there are no such statutes. There are, however, a number of decisions upholding the priority of readvances over judgments and subsequent encumbrances other than statutory liens, such as: Mechanic's liens, Federal liens, real estate taxes and assessments, etc.

It should be kept in mind that readvances must be limited to an amount which, when added to the existing balance, does not exceed the original principal amount of the mortgage.

The Dime Savings Bank of Brooklyn incorporated an "open end" mortgage clause in its mortgages back in 1950, but have made only a few readvances on them as these mortgages have not been sufficiently reduced in amount to warrant a readvance. We have, however, made a number of readvances on mortgages which do not contain the "open end" clause, by having the borrower join with us in a form of modification agreement, which incorporates the "open end" clause in the original mortgage and sets up the amount of the readvance and the terms of repayment.

Arrangements have been made with City Title Insurance Company, Title Guaranty & Trust Company, Home Title Guaranty Company, and Guaranteed Title & Mortgage Company to insure such readvances under their regular form of mortgagee policy.

The fees for such insurance have been substantially reduced so that a readvance of \$2,000 can be had for the nominal costs indicated below:

Title insurance (½ of 1% of readvance)...	\$10.00
Mortgage tax .....	10.00
Recording and preparation of readvance agreement .....	12.00
Total .....	\$32.00

This type of borrowing is much less burdensome than the usual FHA Modernization Loan, which has to be repaid within three years, whereas the "open end" advance may be spread over the entire life of the mortgage by a slight increase in the monthly payment, or the monthly payment

\*A talk by Mr. Mackey at the Annual Savings and Mortgage Conference, National School Savings Forum, American Bankers Association, New York City, March 2, 1954.

may remain the same and the term of the mortgage extended accordingly.

Let us compare the difference in the terms of repayment on these two types of loans.

A \$1,000 modernization loan at a 5% discount requires a monthly payment of \$31.94 because of the three year limitation on maturity. Whereas a \$1,000 readvance under an "open end" 5% mortgage having 15 years to run, requires only a monthly payment of \$7.91, or if the loan is extended sufficiently to liquidate such readvance and the old balance of the debt, no increase in the monthly payment is required.

The "open end" type of mortgage has been featured in a number of the housing developments financed by us. These builders advise their buyers that they may, when the mortgage has been reduced, obtain a readvance for improvements to the extent of such reduction on the very lenient terms above indicated.

The instrument evidencing the readvance is recorded and the payment of the tax on the readvance indicated thereon by the Register's Office. The instruments are returned to the mortgagee and are available with the original mortgage instruments evidencing the debt, should foreclosure follow.

The notation of the mortgage tax payment on the Readvance Agreement is essential to meet the requirements of Section 258 of the Tax Law, which provides:

"... that no mortgage of real property which is subject to tax imposed by this article should be released, discharged of record, or received in evidence in any action or proceeding, nor shall any assignment or agreement extending any such mortgage be recorded unless the tax imposed thereon by this article shall have been paid as provided in this article. No judgment or final order in any action or proceeding shall be made for the foreclosure or the enforcement of any mortgage which is subject to the tax imposed by this article or of any debt or obligation secured by any such mortgage unless the tax imposed by this article shall have been paid as provided in this article."

The section also prescribes a penalty for non-payment of the mortgage tax.

A Readvance Agreement should be executed and recorded at the time each subsequent readvance is made and the mortgage tax paid on the amount of such readvance.

We find this type of transaction attractive because of its simplicity and the speed with which it can be consummated. Mortgage advances insured by The City Title Insurance Company are based on a very complete Affidavit of Title and no search is actually made by them for possible intervening encumbrances, which enables us to close the readvance in a couple of days. The other companies insure only where advances are made on mortgages that they have previously insured and make a search from the date of such mortgage, which delays the closing somewhat.

Many merchandizing outfits

### — Net Income After Taxes —

Individual Income Tax Rate	With No Sale	With Sale and Repurchase	Increase	%
43% .....	\$14,250	\$15,150	\$900	6%
53% .....	11,750	13,030	1,280	11
72% .....	7,000	9,280	2,280	33
90% .....	2,500	5,725	3,225	129

selling household equipment are particularly interested in furthering the "open end" mortgage type of financing because of the leniency of the terms of repayment, and consequently since this plan has been inaugurated we have been contacted by a number of banks and merchandising concerns who wish to get our setup for use in their local communities.

#### Package Mortgages

This type of mortgage has been used by The Dime Savings Bank of Brooklyn for a number of years and is particularly adaptable on residential developments. The Dime Savings Bank of Brooklyn specializes in this type of lending and has found that most of our builders include in their sale some items such as Refrigerators, Gas Stoves, Washing Machines, Dryers, Garbage Disposal Units, and Freezing Units. These items are included in the Personal Property Clause contained in our form of mortgage.

The inclusion of these items in the builder's sales contract on the property and the mortgage evidencing our loan is of material help to the home buyer in that he enjoys the use of them immediately upon his occupancy and obtains the benefit of the long term financing made available under the provisions of our mortgage.

It is, therefore, unnecessary for him to acquire such items after he moves into the property and subject himself to the burdensome terms of short term appliance loan repayable concurrently with his mortgage payments. We are, of course, quite concerned about the payment ability of our borrowers and they have to measure up to our requirements as to income before we commit the loan.

It is not practicable, however, for us to restrain the owner from overburdening himself in acquiring equipment for his home. We do advise him that under the terms of the mortgage which he has placed on his property, there is available an "open end" clause pursuant to which he may obtain readvances on an easy repayment basis when his principal has been reduced sufficiently.

This has a tendency to induce him to wait until he has paid off enough on his mortgage to permit him to re-borrow his requirements for additional equipment.

In New York State the intentions of the parties govern as to whether or not such equipment is deemed to be covered by the mortgage on the real estate, and the recital of such equipment in the mortgage is conclusive evidence of such intent.

The law on this subject has been firmly established in the case of *Manufacturers Trust Company v. Peck-Schwartz Realty Corporation*, 277 N. Y. 283; as well as in *General Synod of the Reformed Church in America v. Bonac Realty Corp.*, 297 N. Y. 119.

#### Bankers Offer Tenn. Gas Transmission Pfd.

A new issue of 100,000 shares of 5.12% cumulative preferred stock, \$100 par value, of Tennessee Gas Transmission Co., was offered on March 30 by a group headed jointly by Stone & Webster Securities Corp., and White, Weld & Co. at \$100.375 per share plus accrued dividends from April 1, 1954.

The preferred is callable at \$105.37½ per share if redeemed prior to April 1, 1957, and thereafter at prices declining to \$100.37½ per share after April 1, 1969. A sinking fund, providing for retirement of all of the new preferred shares by 1984, will commence operation in 1959.

Proceeds from the sale will be applied to the payment of outstanding short-term notes. These were incurred in connection with the company's expansion program

which it is anticipated, will increase daily delivery capacity of the company's system to 1,560,000 MCF by the end of 1954.

Tennessee Gas Transmission owns and operates a natural gas pipeline system extending from the Rio Grande Valley of Texas to terminal points in West Virginia and near the New York-Massachusetts state line. Principal deliveries are made to subsidiaries

of The Columbia Gas System, Inc. and of Consolidated Natural Gas Co., and to several other companies, including its own subsidiary, Northeastern Gas Transmission Co.

Operating revenues for the 12 months ended Dec. 31, 1953, totaled \$133,331,000 and net income amounted to \$18,932,000.

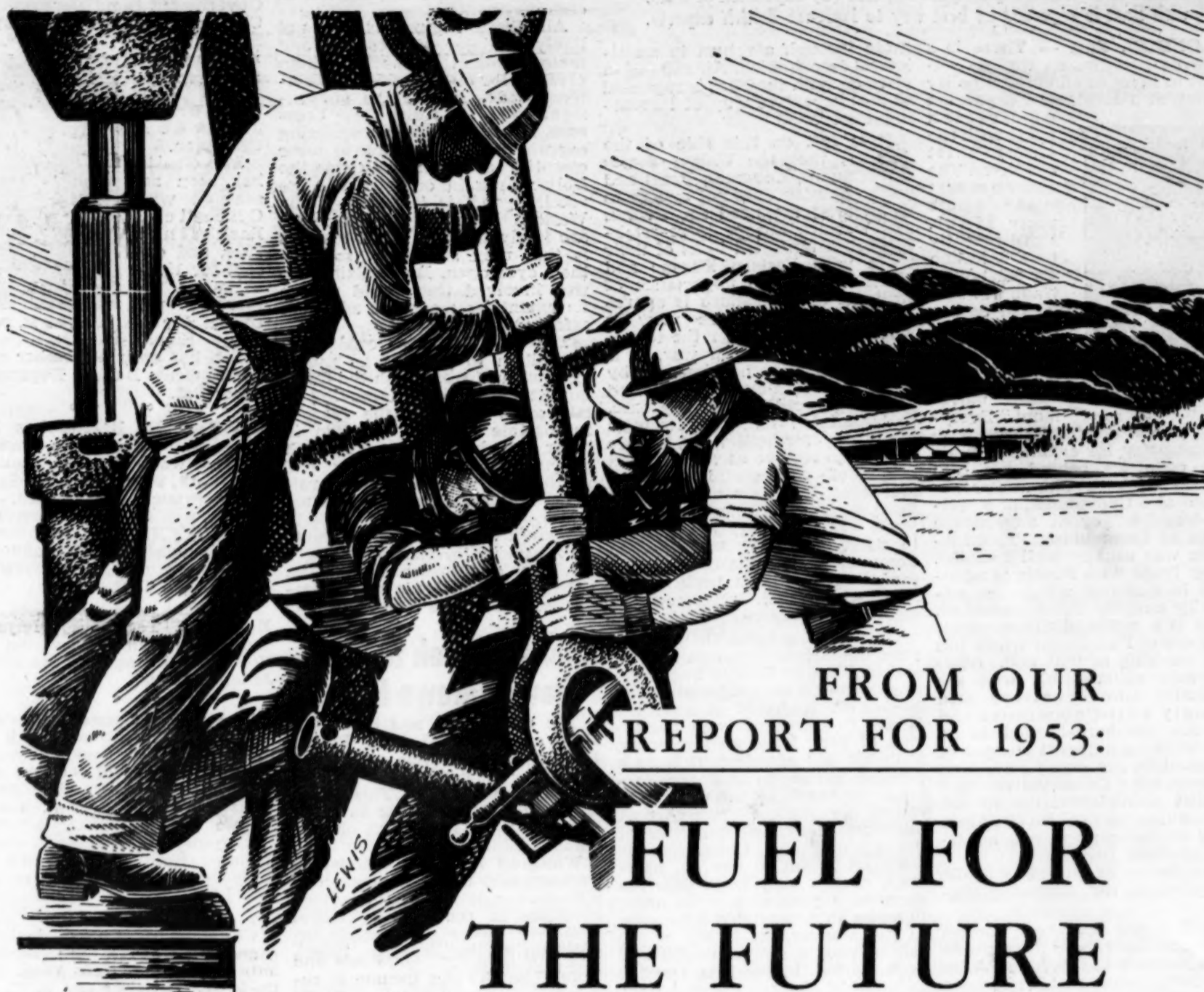
#### George E. Noyes With Blunt Ellis & Simmons

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George E. Noyes has become associated with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Noyes was formerly with Harris Hall & Co.

#### Stanley Elected

Stanley T. Stanley, senior partner of Jacquin, Stanley & Co., members New York Stock Exchange, has been elected Vice-President and director in charge of finance of Trans-Era Oils Ltd. of Toronto, Canada, according to Julian B. Adoue, Jr., President.



AN OUTSTANDING FEATURE of El Paso Natural Gas Company's 1953 Annual Report is the comment on the Company's campaign to develop new gas reserves — fuel for the future.

The Company is meeting a constantly increasing demand for gas. It is reliably estimated that in 1953 the population of California, Arizona, New Mexico, west Texas, and Utah which is served by the Company grew by more than 485,000 people, a rate of growth unprecedented elsewhere in the United States but typical of this area during the last decade, as shown by United States Census Bureau figures for 1940-1950.

The growth of public demand for natural gas, combined with the need to maintain present service, necessitates a constant, vigorous program to discover new reserves. As a part of its plan to meet what it considers as its obligation to the consumer, the Company has acquired gas rights underlying more than one million acres of land in Utah,

Colorado, New Mexico, and Texas and is acquiring gas rights on substantial additional acreage in these States and in Wyoming and Nevada. Intensive exploration and development are being carried out to evaluate this acreage and develop proven reserves primarily for the service of its customers.

So that the Company may continue its search for these new reserves for the future, it is asking the Federal Power Commission to permit the Company to engage in exploration for gas on a competitive basis with other producers.

*The supply cannot be maintained except by intelligent, aggressive exploration.*

The various aspects of exploring for gas, as well as other phases of the Company's operation and expansion, are discussed in detail in the 1953 Annual Report to Stockholders, copies of which may be obtained by writing to El Paso Natural Gas Company, El Paso, Texas.

EL PASO NATURAL GAS COMPANY

## Britain and East-West Trade

By PAUL EINZIG

Dr. Einzig notes growing movement in Britain to expand trade with the Communist countries. Lists as reasons for this development: (1) change in attitude of Soviet Government regarding policy of controlled countries trading with West; (2) new Soviet policy of raising living standards of its people; (3) sale of Russian gold indicates Soviet Government is in position to import; (4) rising German and Japanese competition forces Britain to seek new export markets; and (5) expansion of trade with East is regarded as best way to increase British exports.

LONDON, Eng. — There is a growing pressure on the government in favor of adopting a policy aiming at a substantial expansion of British trade with the Communist countries. The movement cuts across party lines. Until recently the agitation for East-West trade was suspected as being just another Communist stunt, like the "peace movement." Every-



Dr. Paul Einzig

body who associated himself with the campaign for expanding trade with countries behind the Iron Curtain or with China was regarded as a Communist, or a "fellow-traveler" or at any rate a stooge of Communists. This suspicion was usually well founded. Today trade with Russia is advocated in quarters which are politically entirely above suspicion. There is a group of Conservative Members of Parliament which has been working to that end. Business men of standing, who are politically Conservatives and strongly anti-Communist and who are too hard-headed to be considered as innocent stooges of Communists, are doing their best to persuade Conservative and Socialist politicians alike to use their influence in favor of a policy of encouraging and assisting East-West trade.

This change of attitude may be attributed to the following reasons:

(1) It is felt that, even though in the political sphere the attitude of the Kremlin has remained fully as uncompromising as it had been during Stalin's dictatorship, in the economic sphere the Soviet Government is now inclined to favor a re-linking of the countries under its control with the Western world.

(2) It is believed that the new economic policy of the U. S. S. R., aiming at raising the standard of living, opens the possibility of securing important markets behind the Iron Curtain.

(3) The sales of Russian gold during recent months created the impression that the Soviet Government is financially in a position to import on a large scale. For it is believed that since the war Russia has accumulated a very large gold reserve, second only to that of the United States.

(4) With the increase of German and Japanese competition it is felt that, unless new markets are opened for manufacture exports, there could not possibly be enough demand to keep exporting industries fully employed.

(5) There is a growing uneasiness about business prospects in the United States and about the apparent reluctance of the Washington Administration to intervene effectively to check a slump. It is felt, therefore, that Britain must make its economy less dependent on American business conditions, by expanding its trade with the East.

(6) The weakening of the prospects of an early return to convertibility has diminished hopes of an expansion of international

trade through a return to multi-lateral free trading. An expansion of trade with the East is regarded as an alternative way of increasing export.

It is felt on this side of the Atlantic that the United States Government, Congress, Press and public opinion does not appear to understand the need for Britain and Western Europe to re-establish the interrupted links of their trade with Eastern Europe and China. While the importance of strategic considerations is appreciated over here, the view is widely held that, after the termination of the Korean war, it is time to relax the ban imposed by general consent during the period of active hostilities. In any case, it is pointed out, the strategic argument cuts both ways, for we are apt to receive as well as send goods of strategic importance. Moreover, if Britain and Western Europe gain economically by their trade with the East, this is liable to strengthen their resistance to Communism, especially during a period of American trade recession when such reinforcement would be badly needed.

On the other hand, there is beyond doubt a tendency in London and in Western Europe in general to exaggerate the potentialities of East-West trade. It is true, the Soviet Government is in possession of very large gold reserves, with the aid of which it is in a position to finance an import surplus, accepted for the sake of raising the standard of living. A big trade deficit of countries of the size of Russia, China and the satellites is apt to use up, however, even a very large gold reserve in a year or two. In order to make an appreciable difference to the standard of living of 800 million people, a great deal has to be imported. In the long run the Communist countries must depend on exports to pay for their imports. Nor is it certain by any means that the Kremlin would be prepared to deplete its gold stock. Presumably a large part of it will be held as a strategic reserve.

Politically as well as economically it would be a bad thing if the economies of the free countries were to depend to an unduly large degree on the economies of the Communist Bloc. It is bad enough to depend excessively on the caprices of American business trends and on the incalculable attitude of Congress towards American imports and foreign aid. It would be incomparably worse to be exposed to shocks that are liable to result from politically-inspired decisions of the Kremlin. A substantial increase of East-West trade would greatly increase the power of the Soviet Government to deliver such shocks in order to disorganize the economies of the free countries, or in order to bring political pressure to bear on their governments and public opinion. The sudden reappearance of Russian oil exports in the Middle East is a foretaste of things to come. The possibility of an overproduction of oil may provide the Soviet Government with an opportunity for causing difficulties by provoking a slump in the oil market.

It is conceivable that, when our industries have adjusted themselves to exports to the Communist countries on a large scale, orders may suddenly be termi-

nated, or they may be made conditional on the granting of credits. Should the latter be the case there would be the utmost pressure on the government to authorize or even provide such credits in order to avoid unemployment. Quite possibly the initial cash payments out of the gold reserve merely serve as a bait, on the assumption that, once the eastward flow of goods is set into motion, its continuity would have to be maintained even after a cessation of cash payments.

All these arguments are not likely to deter businessmen and their political supporters from pressing for an expansion of East-West trade. Nor is the government likely to resist their pressure. The temptation of increasing exports, and of being able to cover essential exports from outside the "dollar gap," is too strong. The Western European Governments are likely to yield. What matters is that they should do so with their eyes open. By realizing the risk involved they could reduce its extent by means of adequate safeguards.

The United States would be in a position to prevent an undue expansion of trade with the Communist countries by removing or mitigating some of the reasons responsible for the agitation in favor of such expansion. Foremost among the means to that end would be a reversal of the business recession in the United States, a liberalization of American tariff policy, and an increase of American investment abroad. Even so, some relaxation of the existing ban on trade with Communist countries is bound to come.

## Merrill Lynch to Open New Midtown Branch

The investment and brokerage firm of Merrill Lynch, Pierce, Fenner & Beane has announced plans for a new office in the Grand Central area. This office will be the firm's fourth in Manhattan — the 114th in its nationwide organization.

Winthrop H. Smith, Managing Partner, said that the new office will open early in June to provide investors in the Grand Central area with every conceivable facility for dealing in stocks, bonds, and commodities.

Alpheus C. Beane, a General Partner of Merrill Lynch and predecessor firms for the past 20 years, was named to head the new office. His father, the late A. C. Beane, was a founder and Senior Partner of Fenner and Beane which merged with Merrill Lynch in 1941.

Mr. Beane, who began as a Wall Street runner following his graduation from Yale University in 1931, has been an Account Executive, Office Manager, Partner in Charge of securities research, and most recently, director of the Commodity Division at Merrill Lynch.

The new, completely air-conditioned office will occupy the spacious second floor area at 295 Madison Avenue on the corner of 41st Street. The area occupied by Merrill Lynch, Pierce, Fenner & Beane can be reached by both private elevator and stairs from the main floor lobby.

Present plans call for a sales staff of about 24 account executives; installation of a modern electric quotation board that will list more than 300 leading stock and commodities, standard exchange tickers as well as the private Merrill Lynch news wire.

## Arthur G. Hageman Opens

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—Arthur G. Hageman has formed Arthur G. Hageman & Co. with Offices in the Central National Bank Building. Mr. Hageman was formerly with James E. Bennett & Co.

## NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS  
NEW BRANCHES  
NEW OFFICERS, ETC.  
REVISED  
CAPITALIZATIONS

Douglas M. Smith has been appointed Assistant Manager of the Government Bond Department of Chemical Bank & Trust Company, New York, it was announced on March 31 by N. Baxter Jackson, Chairman.

Mr. Smith has been associated with Chemical Bank since 1934, and except for 1943-46 when he served in the United States Army Signal Corps, has been a member of its Government Bond Department since 1942.

William H. Beattie has been appointed Resident Vice-President of The National City Bank of New York, supervising the Bank's seven branches in Brazil. Mr. Beattie was formerly manager of the Bank's Rio de Janeiro branch and has represented National City in South America since 1920, in Brazil since 1922.

The Bank also announced that Everett S. Tewksbury, formerly sub-manager, has succeeded Mr. Beattie as Manager of the Rio de Janeiro branch.

E. Chester Gersten, President of The Public National Bank and Trust Co. of New York, announced the appointment of Benjamin Sloan, Assistant Cashier, as an Assistant Vice-President, and of Harold Messerschmitt, Administrative Assistant, as an Assistant Cashier. Both of these men are assigned to the Broadway and 24th Street Office.

Cornelius J. Carey, Assistant Vice-President of the Bankers Trust Company, New York, died on March 22 at the age of 52.

Mr. Carey was head of foreign collections for the National Bank of Commerce in 1929 when he joined the staff of the newly formed Commercial National Bank & Trust Co.

He became Assistant Vice-President and was elected to the same position with the Bankers Trust Co. when the two banks merged in 1951.

John E. McCarthy has been elected a director of the Federation Bank and Trust Co., New York, it was announced on March 24 by Thomas J. Shanahan, President.

Mr. Shanahan, also announced on March 30 the appointment of Victor H. Benson as Assistant Secretary.

Mr. Benson joined the bank in 1935, leaving in 1941 to enter the armed services. In 1946 he was released from active duty, with the rank of Major, at which time he again became associated with Federation Bank and Trust Company.

Upon the opening of the bank's new Flushing branch early in April, Mr. Benson will assist in the management of that office under Mr. Thomas F. Goldrick.

The Banking Department of the State of New York gave approval on March 17, to the Peoples State Bank of Baldwin, Baldwin, N. Y., to increase its capital stock from \$125,000, consisting of 12,500 shares of the par value of \$10 per

share to \$262,500, consisting of 17,500 shares of the par value of \$15 per share.

The Bank of Huntington and Trust Company, Huntington, N. Y., received approval on March 22, from the Bank Department of the State of New York to increase its capital stock from \$250,000, consisting of 10,000 shares of the par value of \$25 per share, to \$500,000, consisting of 20,000 shares of the same par value.

Herbert Lomax has been elected Secretary and Harold L. McKaig appointed Assistant Vice-President of Tradesmens Land Title Bank and Trust Co., Philadelphia, Pa., it was announced on March 25 by James M. Large, President. Mr. Lomax joined the Tradesmens bank in 1931, was appointed Assistant Cashier in 1946.

Mr. McKaig joined the Real Estate Title Insurance and Trust Co. in 1920.

Commonwealth Trust Co., Pittsburgh, Pa., has absorbed the South Hills Trust Co., Pittsburgh, Pa., effective March 16. A branch was established in the former location of the South Hills Trust Co.

The First National Bank of Catawba County, Hickory, North Carolina, increased its common capital stock from \$840,000 to \$1,000,000 by sale of new stock effective March 18.

The Broadway National Bank, of San Antonio, Tex., celebrated its thirteenth year in business on Jan. 18, 1954, by moving into its new and modern building at 5201 Broadway.

The new building, which cost \$200,000 exclusive of land and equipment, easily rates as one of San Antonio's finest suburban banks and has every convenience and facility known to modern banking.

Established in 1941, the Broadway National Bank had, in April of that year, assets totaling \$240,203.32 and deposits amounting to \$180,434.68. On Dec. 31, 1953, it had assets that amounted to \$10,474,767.95 and deposits totaling \$10,034,493.07.

The bank, which now has 60 employees, is headed by C. E. Brand as President, with J. F. Stroker as Executive Vice-President, W. F. Bottlinger as Vice-President and Cashier and C. E. Cheever as Chairman of the Board.

The United States National Bank of Portland, Ore., opened a new branch at Brookings on March 22 following purchase of the Oregon State Bank of Brookings. Announcement of the transaction was made by E. C. Sammons, U. S. National President.

The Brookings bank has been one of the most rapidly growing banks in the state. On Dec. 31, less than two years after the bank was established, its deposits totaled \$2,900,000.

Mr. E. L. Morton will remain as Manager of the Brookings Branch. Active in the commercial banking field in Oregon for 35 years, he is a former Deputy Superintendent of Banks for the state.

Assistant Managers will be J. L. Brown, who has been Cashier at Brookings, and Arnold L. Peabody, who has been with the U. S. National since 1949.

The Brookings Branch is the third added to the U. S. National's

state-wide system during the past eight months. Other new branches are at Hermiston and Beaverton.

Geoffrey S. Smith, President of the Girard Trust Corn Exchange Bank, Philadelphia, Pa., announced on March 7 that Albert E. Shaw had been promoted to Secretary and Treasurer, and Wilson M. Brazier, Edward T. Clute, F. W. Elliott Farr and John W. Woerner to Vice-Presidents.

William F. Blackman, William L. Cleaves, G. Odell Fletcher, S. Powell Griffiths, G. Randle Grimes, William O. Master, W. Taylor Vallier, Donald H. Williams, J. Kent Willing Jr. and Robert K. Zerbe, were also promoted to rank of Vice-President.

George V. Claytor, Vice-President of Citizens National Bank, Riverside, Calif., and Manager for the past 13 years of its recently consolidated Security Office, has been appointed Manager of the bank's Arlington office, Elden Smith, President, has announced.

George O. Armstrong, Assistant Vice-President, who has been the Arlington Manager for the past three years, will move to the Colton office, in a newly created post.

Mr. Claytor joined the Citizens staff to become Vice-President and Manager of the Security office in 1941.

Mr. Armstrong joined the Citizens staff in 1947.

He was elected Assistant Cashier and appointed Manager of the Arlington office in 1951, was advanced to Assistant Vice-President a year later.

Ben R. Meyer, Chairman of the Board and President of the Union Bank & Trust Co. of Los Angeles, Calif., announced that the board of directors elected Kenneth E. Ritter as Assistant Cashier. Mr. Ritter has been with the bank since 1927 and began his career in the note department, later organized and managed the bank's U. S. War Bond department, and, after military service during World War II, organized the veteran's loan department. He is currently a member of the customer relations staff.

## Halsey, Stuart Groups Offer Equip. Tr. Cfts.

Two separate issues of equipment trust certificates were offered by Halsey, Stuart & Co. Inc. and associates on March 26.

One, \$1,615,000 of 3½% of Central Railroad Co. of New Jersey maturing annually April 1, 1955 to 1969, inclusive, was offered at prices scaled to yield from 2% to 3.25%, according to maturity. This issue is to be secured by the following new standard-gauge railroad equipment estimated to cost \$8,700,000: 1,500 all-steel, box cars 50-ton capacity.

Other members of the Central RR. of New Jersey offering group are—R. W. Pressprich & Co.; L. F. Rothschild & Co.; Baxter, Williams & Co.; Freeman & Co.; Gregory & Son, Inc.; Ira Haupt & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; Julien Collins & Co.; McMaster Hutchinson & Co.; and Mullaney, Wells & Co.

The other, an issue of 2½% equipment trust certificates of Illinois Central RR., maturing semi-annually Oct. 1, 1954 to April 1, 1969, inclusive, was offered at prices to yield from 1.25% to 2.70%, according to maturity. This issue is to be secured by the following new standard-gauge railroad equipment estimated to cost not less than \$2,280,000: seven Diesel-electric Trainmaster locomotives, and four self-propelled passenger cars.

Associated with Halsey, Stuart in the Illinois Central offering are—R. W. Pressprich & Co.; Freeman & Co.; Wm. E. Pollock

& Co., Inc.; and McMaster Hutchinson & Co.

Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

## Emanuel, Deetjen Group Offer Allied Artists Stock

Emanuel, Deetjen & Co. and associates yesterday (March 31) offered 150,000 shares of Allied Artists Pictures Corp. 5½% cumulative convertible preferred stock at \$10 per share. The new preferred stock will be convertible into common at the rate of 2.16

shares of common stock for each share of preferred, subject to adjustment.

Proceeds from the sale of these shares will be added to the general funds of the company and will be used primarily for the production, distribution and exploitation of its motion pictures. Pending appropriation for such purposes, it is intended to reduce, temporarily, the company's outstanding bank loans.

The new preferred stock will be redeemable at \$11 per share and through the sinking fund at \$10.50 per share, plus accrued dividends in each case. The stock will have a sinking fund of 10%

of earnings after preferred dividends.

Allied Artists Picture Corp., formerly Monogram Pictures Corp., was organized in 1936 to engage in the production and distribution of low and medium cost motion pictures. The company contemplates that in the future it will produce higher cost pictures on an increasing scale, while continuing to produce low and medium cost pictures as in the past.

## O. W. B. Reed Opens

WASHINGTON, D. C.—Oscar W. B. Reed is engaging in a securities business from offices at 1311 G Street, N. W.

## With Adams-Fastnow

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hugh H. Flaherty is now associated with Adams-Fastnow Company, 215 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Flaherty was previously with Standard Investment Co. of California.

## Morgan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Arthur J. Butzen has been added to the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

# BRIDGEPORT BRASS *another* reports record year



Copy of Annual Report available on request

LARGEST SALES  
IN HISTORY

NEW HIGH  
IN NET INCOME

FOURTH CONSECUTIVE  
YEAR OF INCREASED  
DIVIDENDS

### PROGRESS IN ALUMINUM

Our aluminum program emphatically stepped out of the developmental stage when, on December 22, 1953, we leased the aluminum extrusion and forging plant in Adrian, Michigan from the U. S. Air Force. Operations at present are on a modest scale, but are expected to increase rapidly since the plant is in good condition and an experienced organization is available. In addition to aluminum, the equipment is suitable for the working of titanium and other aircraft metals.

### EMPHASIS SHIFTED TO SALES

Many specific steps have been taken to increase the efficiency of our sales organization. Our outside sales force has been increased. Mill products warehouses have been set up in Louisville, Kentucky and New York City. Additional sales offices have been opened in Grand Rapids, Michigan, and Richmond, Virginia. We now have 34 district offices and 13 warehouses.

### ADVANCES BY RESEARCH

Several new alloys which have excellent commercial possibilities were brought forth by our intensified research and development program. Additional equipment for pilot plant pro-

cessing of new metals and alloys has been installed; within 15 minutes after a test sample is poured, a complete analysis is obtained and reported to the Casting Shop. Molten glass is now regularly used as a lubricant in extruding some alloys; additional experimental work is being carried out to broaden the scope of its use.

### CAPITAL STRUCTURE IMPROVED

For the first time since 1937, the Company issued common

stock. For every four shares of common held on November 17, each stockholder was given rights to buy an additional share at a price of \$21.50 per share. More than 95% of this very successful offering was taken up by the exercise of rights, and about \$5 million was received by the Company. The number of stockholders increased to 9,593—841 more than a year ago. Long-term debt was reduced by more than \$700,000.

### FACTS AT A GLANCE

	1953	1952	1951
Sales . . . . .	\$142,659,000	\$127,517,000*	\$101,711,000
Profit before Federal Taxes on income . . . . .	19,601,000	13,074,000*	10,706,000
Federal income & excess profits taxes . . . . .	14,275,000	9,050,000*	6,845,000
Net income after taxes . . . . .	\$ 5,326,000	\$ 4,024,000	\$ 3,861,000
Distributed to Shareholders as dividends . . . . .	\$ 2,032,000	\$ 1,618,000	\$ 1,466,000
Retained in the business . . . . .	3,294,000	2,406,000	2,395,000
Net income . . . . .	\$ 5,326,000	\$ 4,024,000	\$ 3,861,000
Earnings per Common Share . . . . .	\$ 5.47**	\$ 4.23	\$ 4.04
Dividends per Common Share . . . . .	\$ 2.00	\$ 1.70	\$ 1.50
Total number of Common Shareholders . . . . .	9,593	8,752	8,312
Book value per Common Share . . . . .	\$29.32†	\$28.26	\$25.79

\*Reclassified for purposes of comparison

\*\*Based on average number of shares outstanding during year.

†Book value would have been \$37.18 if it had not been for the issuance of 254,807 additional shares late in 1953.

**BRIDGEPORT BRASS COMPANY** "Bridgeport"  
BRIDGEPORT, CONNECTICUT

# Let's Have a Free Mortgage Market

By CLARENCE J. MYERS\*  
President, New York Life Insurance Co.

After reciting the role of insurance companies in channelling investments and in maintaining a diversified portfolio, Mr. Myers pleads for the government to keep its hands off the mortgage market. Says yields of mortgages should be allowed to find their natural competitive level in a free mortgage market as yields of bonds do in the bond market, and decries attempt to force interest rates to be equal throughout the country. Concludes, if government will not interfere in the mortgage market, money will move more freely "into every nook and cranny where a real need exists."

Let me start with a few basic facts that point up the relationship between the life insurance business and the real estate and mortgage loan business. Life insurance companies in the United States hold assets totaling \$78 billion. About 30% of this total is invested in mortgages and another 3% is invested in real estate (the balance is mainly invested in securities). About 20% of the total value of all residential mortgage loans in the United States is held by life insurance companies.

Assets of these companies are increasing at a rate of about \$5 billion each year. This growth reflects essentially the decisions of some 90 million individual policy owners, new and old. Our business is like a pipeline system through which the small amounts contributed by millions of individuals are accumulated, pooled together, and distributed among numerous investment outlets. Although there is no valve that we can turn to regulate the total flow of new money, we can and do regulate the proportion in which funds are divided between various investment outlets. Indeed, this is one of the basic functions of the financial officers of life insurance companies.

In performing this distributive function, and the related function of detailed selections of investments, we are guided by several considerations.

First, we have the very serious responsibility of safeguarding our policy owners' funds. Proceeds of insurance and annuity contracts are payable in specified numbers of dollars, often at dates lying far in the future. It goes without saying that we must always be able to meet our maturing obligations.

Second, we must strive to earn for our policy owners the highest rate of return consistent with safety of principal, for investment return is an important factor in determining the net cost of life insurance to the policy owner.

Third, since our clientele consists of practically the entire citizenry, we feel that we ought to give serious consideration to the broad question of how our investments serve the public interest. This latter responsibility can mean many things. But in particular, it means that in distributing investments among alternative outlets, we should bear in mind genuine needs for capital expansion, geared to a sound pattern of economic growth for the nation as a whole.

In normal times, with free financial markets, our various objectives tend to coincide. Just as urgent demands for goods lead to high prices, so an urgent demand for capital is reflected in a higher yield. In general, therefore, when we and other investing in-

stitutions react sensitively to differences in yield, and place more money wherever the yield has become higher, we are automatically placing the money where it will do the most good for the economy as a whole. Forces in a free competitive market ensure that this is so.

## Investment Safety Factors

In passing, let me make just two comments on these broad principles. First, in seeking to invest safely, life insurance companies rely, of course, on the safety factor inherent in diversification. We do not place all of our funds in any one category, such as mortgages, regardless of its average yield. Diversification is always important.

Second, within the broad limits set by our need for diversification, we are very responsive to differentials, or "spreads," between the net yields obtainable from various kinds of investment. If the yield on any particular kind of investment, such as mortgages, is held down to an artificially low level, whether by administrative or legislative fiat or otherwise, we will naturally tend to stay away from that kind of investment; and we will look to others that seem to hold a better prospect for putting our policy owners' funds to work advantageously.

We in the life insurance business are rather proud of the part we play in channelling a substantial share of the individual savings of millions of people into productive investments, both large and small, scattered throughout North America. We are also proud of the increasing skill with which we have been able to adapt the flow of our mortgage money to the intricate and fast changing pattern of demand for home financing. This is not easy to do. We could not do it at all, on a truly nationwide scale, without help from a large number of professional appraisers.

I believe our job, in the mortgage field, is being done better and better each year. This progress is partly traceable to the fact that we are learning to use professional services more effectively, not only in the initial lending but also in a periodic review of our holdings. And it is due also to the progressive spirit prevailing in your profession, a spirit that is creating ever-higher standards of training, performance and ethics among the members of the various appraisal societies.

## Appraisers' Role

I spoke a few moments ago of how we seek to distribute our funds in the interest of the maximum yield obtainable consistent with safety. I also spoke of our belief that in a free society this course of action harmonizes with the community's need for balanced economic growth and stability. It is worth noting in this connection that the appraiser has an important part to play in maintaining economic stability. If we as a nation are to avoid a boom-and-bust course of economic development, it is incumbent on everyone connected with the investment process to avoid over-valuations based on excessive optimism during periods of rising prices, and

also to avoid undervaluations based on excessive pessimism when the general price level is falling. Obviously, through the sound, objective appraisal of real estate values, you can contribute very effectively to keeping our economy on an even keel.

And now, an additional comment on competitive freedom in the mortgage market. Representatives of the life insurance industry have occasionally voiced certain criticisms of government policy in this field. We mainly objected that the government was attempting to freeze interest rates at unnatural levels and was then stepping in with direct financing, or even direct construction, to make up for artificial scarcities created by the controls. At the same time, however, we have recognized—as we always have—that the building industry is of key importance in our national economy. And we know that there is a natural tendency for the volume of construction to swing up and down in long cycles, which gives the government a legitimate concern with problems of stabilization in this field.

## How Government Can Promote Stability

We believe that the best way for the government to provide conditions conducive to stability in the home building industry lies in several directions; for example, removal of artificial obstacles that hamper construction activity, also consistency between the various aspects of Federal monetary policy—in particular, consistency between mortgage yields and bond yields.

Representatives of the life companies have submitted specific recommendations to the government. Many of these have been accepted as part of the administration's housing program. In particular, we favor more flexibility of interest rates on FHA and VA mortgages. Administrative discretion should be allowed within broad statutory limits. There should be no taboos against mortgage transactions at a premium or a discount. Yields should be allowed to find their natural competitive level on a free mortgage market, just as they do on a free bond market.

To go into particulars a bit further, I do not look with favor on any governmental attempt to force interest rates to be equal everywhere in the United States. There are important local and regional differences in supply factors, demand factors, risk factors and in the cost of initiating and servicing loans. Money will tend to move freely into every community where a real need exists, and it will be made available on reasonable terms, if competitive market forces are not interfered with. The government's influence on mortgage yields should be exerted only in an indirect way—through the general monetary policy of the Federal Reserve System.

Spokesmen for the life insurance companies have also made several recommendations on related matters. They have pointed out the need for greater consistency between treatment of loans on new houses, on old houses, and on capital improvements; the need for overhauling of the various FHA statutes; and the need for incorporating modern standards and simplified procedures into the revised law. If these suggestions are adopted we believe that there will be little real need or justification for direct government intervention or government subsidies in the housing field.

It is encouraging to note that our government has accepted many of these policies. Responsibility for the construction and financing of an adequate supply of housing is a real challenge for the housing and mortgage lending industry. With the fine cooperation that prevails today between government and our business, of

which the professional appraiser is an integral part, I think there is reason to welcome this challenge—to accept it confidently.

## Grounds for Optimism

As you can see, I am not a pessimist. In fact, taking a somewhat long look ahead, I see on every side grounds for much optimism. I believe we are now entering a new epoch of history. It will be a period of wonderful possibilities for progress. And we are entering this new era, I firmly believe, at a time when American business is better prepared than ever before to accomplish great things.

Let me tell you, very briefly, some of the reasons for my being so convinced on this score.

First of all, American productivity, which is the foundation for our well-being, has continued to go steadily up and up—and I fail to see anything which convinces me that it will stop going up in the years ahead. Also technology. Who can say where our horizons lie in this great field? You and I would be foolish indeed if we were to attempt to predict the limit of discoveries still to come from our research laboratories in this atomic age. If production takes men, money and machines, how—looking at our labor supply and labor skills, our financial resources and our advancing technology—how can we be faint-hearted about this country's future capacity to produce?

Some of you, agreeing with me regarding our nation's capacity to produce, may possibly have misgivings about the maintenance of our capacity to consume. I am just as optimistic about the demand side of the picture as I am about the supply side. To be sure, we will occasionally have short periods of inventory readjustment, price readjustment, and readjustment to changes in the defense expenditure program. But how can we fail to have a strong upward trend in all the basic factors that create demand for consumers' goods and services?

The remarkable upsurge in the growth of the population is still continuing. The striking shift in the distribution of personal incomes has created a vast new middle-income market, whose needs are far from saturated. The volume of construction activity must go up, not down, in order to reach its historical relationship to population and national income.

Two-thirds of all the dwelling units in the United States are over 20 years old and 50% of all dwelling units are over 30 years old! I realize, of course, that a house can be 100 years old and still be sound and useful. But that certainly isn't true of the average house! On the average, the age-distribution of our housing confronts us with a tremendous future market for replacement, or renovation, or both. This potential market won't materialize overnight. But for the long-term, it gives us a tremendous backlog of consumer demand. It should be counted as one of the most important of the many sustaining forces that will keep our economy a dynamic and growing one in the years to come.

## Our Managerial Skills

When I said a while back that business was never better prepared than it is today to take advantage of forthcoming opportunities, I was thinking not only of American technology and labor skills and capital resources. I was thinking, in addition, of our managerial skills. This is the human element in the picture, and to me it is a tremendously important one.

During our Twentieth Century there have been great changes in this field. The day has gone when Management was a term pretty well synonymous with the Rich. Ownership of big companies, medium size companies and even many relatively small companies has passed to hundreds and thou-

sands of individual stockholders. Or in the case of the life insurance business, a mutual company like my own may be comprised of millions of policy owners. As a consequence of this development, the responsibilities and techniques of Management as such, distinct from ownership, have been the focus of growing attention, and long strides forward have been taken in this field.

This is not the occasion to go into the subject at length. But I do want to make one point here particularly. Management, as we are here talking about it, is essentially a team proposition. It has to do with the efficient functioning of an organization; more specifically with the key people in the organization. You can see that I am not speaking of so-called "top management"—the "brass." I am speaking of what is really the management team.

Looked at in this light there is no question as to the increasingly significant role of the skilled specialist on this team. Professional competence, in whatever field, becomes more and more important to modern business.

You appraisers are part of the investment team in our business. We have looked increasingly to your knowledge, your skill, your professional competence to help us maintain a sound investment operation.

## Summary

In closing, may I summarize briefly these informal comments.

First. The broad prospect before this country is, to me, tremendously stirring. The horizons of our future well-being are beyond sight. I know you will understand, of course, that by "future" I don't mean next month, or next year; I am thinking, rather, of a decade or a generation ahead. And I am thinking of the basic economic factors that cannot help but play a decisive part in shaping our progress. So I say, "what a wonderful time to be living in!"

My second point is this. In the particular field which interests you and me, it is encouraging to note that there is increased understanding and cooperation between the government and the housing and mortgage lending industry. This bodes well. Personally, I am optimistic about continued progress in this important section of the investment field.

And finally, I am confident because I know that the life insurance companies can look increasingly to professional people such as you for real assistance in our investment operations. We need your help to do the kind of quality job we want to do. We can't do that job on a truly national scale, or do it as well as we'd like, all by ourselves. It is a source of great satisfaction to know that we can count on you—as a part of our management team.

## Bond Club of N. Y. Field Day June 4th

The 13th Field Day of the Bond Club of New York will be held this year on Friday, June 4, Wright Duryea, of Glenside, Forgan & Co., President of the club, announced. The event will take place as usual at the Sleepy Hollow Country Club, Scarborough, N. Y.

Field Day Chairman this year is John W. Dayton, Jr., of Clark, Dodge & Co. He will have the assistance of four general chairmen—Richard A. Woods, of Merrill Lynch, Pierce, Fenner & Beane, W. Scott Cluett, of Harriman Ripley & Co., Ernest W. Borkland, Jr., of Tucker, Anthony & Co., and Sydney G. Duffy, of Blyth & Co., Inc.

Twelve committees will handle the sports, entertainment and other activities at the outing. Committee Chairmen are: Attendance, William R. Caldwell, First



Clarence J. Myers

\*Remarks by Mr. Myers at the 14th Annual Appraisal Conference, New York State Association of Real Estate Boards, Inc., March 19, 1954.

Boston Corporation; Bawl Street Journal, Wickliffe Shreve, Hayden, Stone & Co., Chairman and John A. Straley, editor; Bawl Street Journal Circulation, A. Halsey Cook; Entertainment, Robert A. Powers, Smith, Barney & Co.; Food and Beverages, Egerton B. Vinson, deHaven & Townsend, Crouter & Bodine; Golf, Allen C. DuBois, Wertheim & Co.; Horseshoes, Paul L. Sipp, First Michigan Corporation; Publicity, William H. Long, Jr., Doremus & Co.; Special Features, William M. Cahn, Jr., Henry Herrman & Co.; Special, D. Frederick Barton, Eastman, Dillon & Co.; Tennis, Daniel O'Day, Northern Trust Company; Trophies, Blanche Noyes, Hemphill, Noyes & Co.

## E. F. Hutton & Co. 50th Anniversary

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange and other leading security and commodity exchanges, this week celebrates its 50th anniversary. Founded in April, 1904, by Edward F. Hutton, one of Wall Street's dynamic personalities, the firm has grown under continuing management into one of the largest brokerage and investment organizations. One of the original "wire houses" that helped pace the expansion of the brokerage business, the firm has 25 offices coast to coast and engages in all phases of the securities and commodities business.



Edward F. Hutton

To mark its 50th anniversary, a brochure has been issued recording some of the interesting highlights of its half century of growth. The firm started with a handful of employees in a small office at 33 New Street, New York. Mr. Hutton on a business trip to the Pacific Coast early foresaw the great growth of the west and opened his first branch office in San Francisco in July, 1905. A second branch was opened in Los Angeles in 1907. In more recent years expansion has been into the growing mid-west and southwest. The home office has been at 61 Broadway, New York since 1914.

## McGrath Securities First Anniversary

**Robert S. Leonhardt, President of McGrath Securities Corporation, 70 Wall Street, New York City, has just given a report on the firm's first year's activity as underwriters.**

Coming to Wall Street from widely divergent lines, the officers of McGrath Securities state they feel they brought with them a concept of business that is refreshing and the success of their firm during the first year demonstrates is equally practical.

The aim of the firm, it was announced on opening day, was to endeavor to choose securities for public offering that provided better than average possibilities of market appreciation and at that time the firm indicated that it would make every effort to create and maintain an active market for the shares sold by them.

Three issues underwritten by McGrath Securities in its first year, whose shares are currently selling well above their issue price, are: Micro-Moisture Controls, Inc.; Shawano Development Corporation, and Petaca Mining Corporation.

## **Pa. Turnpike Commission to Sell \$233,000,000 Revenue Bonds on April 7**

**Issue to be underwritten by nationwide syndicate headed jointly by Drexel & Co.; B. J. Van Ingen & Co. Inc.; Blyth & Co., Inc., and The First Boston Corp.**

**HARRISBURG, Pa.**—The Pennsylvania Turnpike Commission announced March 30 plans to consider on Wednesday, April 7, a purchase proposal for \$233,000,000 Pennsylvania Turnpike revenue bonds, series of 1954. The bonds are to be dated April 1, 1954 and are to mature June 1, 1993.

The proposal to purchase the bonds will be submitted by a nation-wide syndicate of more than 350 dealers headed jointly by Drexel & Co.; B. J. Van Ingen &

Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. Offering of the bonds by the syndicate will be made following acceptance of the proposal by the Commission.

Proceeds from the sale of the bonds will be used to finance the 110-mile Northeastern Extension and the Commission's share of a bridge across the Delaware River, linking the Pennsylvania Turnpike with the New Jersey Turnpike.

An information meeting to dis-

cuss details of the proposed issue will be held Friday, April 2, 1954 at 2:30 p.m. in the Great Hall of the New York State Chamber of Commerce, 65 Liberty Street, New York City.

The Northeastern Extension of the Pennsylvania Turnpike will be a modern, limited access highway beginning at Plymouth Meeting (near Philadelphia) on the Delaware River Extension and extending northward to a junction with Routes U. S. 6 and 11 in Lackawanna County, north of Scranton.

This new artery will skirt the Allentown-Bethlehem and Wilkes-Barre-Scranton Metropolitan Areas and provide easy access to the anthracite regions in the north and the popular Pocono Mountain resort sections.

The new bridge across the Dela-

ware River will be a six-lane, high level structure connecting the Pennsylvania Turnpike at U. S. Route 13, north of Bristol, with the Pennsylvania Extension of the New Jersey Turnpike.

Upon completion of the new bridge in mid-1956, the last link will be forged in a chain of super highways extending from Portland, Maine, through the New England States, New York, New Jersey, Pennsylvania, Ohio and Indiana to near Chicago, Ill.

**Ellis Greenberg Co.**

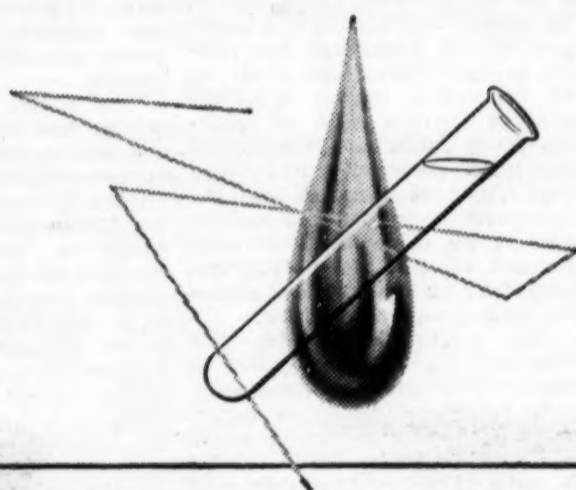
BROOKLYN, N. Y.—Ellis Greenberg Company has been formed with offices at 712 Crown Street to engage in the securities business. Herbert Greenberg is a principal of the firm.



## FACTS FROM

# THE 1953 ANNUAL REPORT OF

# LION OIL COMPANY



<b>FINANCIAL SUMMARY</b>		<u>1953</u>	<u>1952</u>
Net Working Capital—Dec. 31		\$25,784,256	\$26,207,331
Current Ratio		3.11	3.33
Net Properties (Fixed Assets)		\$99,039,397	\$74,930,620
Total Net Worth—Dec. 31		\$96,246,302	\$91,739,829
Shares of Capital Stock Outstanding			
	Dec. 31	3,090,890	3,090,884
Number of Stockholders		16,498	16,111
Total Dividends Paid		\$ 6,181,775	\$ 5,781,744
 <b>OPERATING SUMMARY</b>			
Number of Producing Wells (Net)		873	818
Gross Crude Oil Production—Barrels		7,829,481	7,713,422
Crude Oil Run to Stills—Barrels		8,421,579	7,931,703
Total Refined Oil Sales—Gallons		363,954,581	368,091,487
Elemental Nitrogen (N) Production—Tons		172,809	163,449
Number of Employees—Dec. 31		2,732	2,623
Annual Payroll		\$13,547,482	\$12,040,271

CONDENSED EARNINGS STATEMENT	1953		1952	
For Years Ended December 31	Amount	Per Share	Amount	Per Share
Sales and Operating Revenues	\$89,959,405	\$29.11	\$88,625,282	\$28.67
Operating Charges, Interest, Etc. (Net)	73,034,145	23.63	72,082,857	23.32
Net Income Before Provision for Taxes on Income	16,925,260	5.48	16,542,425	5.35
Estimated Federal and State Taxes on Income	6,237,000	2.02	6,331,000	2.05
Net Income	\$10,688,260	\$ 3.46	\$10,211,425	\$ 3.30

For 1953 Annual Report,  
write Public Relations Dept.,  
811 Lion Oil Building,  
El Dorado, Arkansas

**Another Year of Growth** — Lion Oil Company had another successful year in 1953. Earnings were up nearly 5% over the previous year, oil production was developed on holdings in the Denver-Julesburg Basin where the Company has in excess of 200,000 leasehold acres, and Lion was engaged in the largest expansion of manufacturing facilities in its 30 years of existence. This expansion, part of which is now complete, is expected to increase earnings in 1954.

In the eight years since World War II, the total assets of Lion Oil Company have increased more than six-fold. In this period over \$112,000,000 has been expended for capital additions and enlargements.

**Chemical**—The El Dorado chemical plant in 1953 set a new record in the production of anhydrous ammonia, the basic material from which other nitrogenous chemicals are produced. Total output of this material was approximately 210,000 tons.

Construction of a new chemical plant near New Orleans is scheduled for completion in the second quarter of 1954. These new facilities will increase the Company's ammonia producing capacity by about 110,000 tons a year.

**Petroleum**—An enlargement of refining facilities, begun in 1952, was completed at year end but not in time to contribute to 1953 income. This expansion permits an increase of 50% in yield of improved quality gasoline, with little change in crude oil thruput.

The most significant new development in the search for reserves of crude oil and natural gas was in the Colorado portion of the Denver-Julesburg Basin. During the year, Lion completed 22 net wells there.

**Dividends**—Cash dividends, at the rate of \$2 per share and totaling \$6,181,775, were paid during the year. That sum was 57.8% of net earnings for 1953. The Company has paid quarterly dividends continuously since 1936.

Continued from page 11

## Investor-Owned Electric Utilities Can Do the Job

tial that as good citizens we use our talents and planning abilities to participate in sound community and area growth. While many utility companies for decades have worked successfully with chambers of commerce and other local organizations in promoting the development and profitable operation of industries, I am thinking more particularly of activities designed to improve educational and recreational facilities and in making the "home town" a better place in which to live. Nowhere have the accomplishments of the utility companies been more outstanding in area development than in the South.

It was a former president of the Georgia Power Company, Preston S. Arkwright who, 30 odd years ago, coined the slogan, "A Citizen Wherever We Serve." And you people are living that slogan. It remained for another Georgia Power man, Charlie Collier, to come up with the first "Better Home Town" Program. This activity has spread to other areas and has exerted considerable influence in making our small communities more desirable places for the young folks to make their homes, and in increasing the opportunities for earning a good living in these same locations.

I am reminded, too, of Thomas W. Martin, Chairman of the Board of Alabama Power Company, who was the prime mover in organizing the Southern Research Institute, an institution that has made scientific research available to small industrial groups throughout the South, and who has been a leader in many other enterprises for community, State and regional development. And then there is Lou Sutton, with his "Finer Carolina" Program, who was acclaimed "The North Carolinian of 1953"; Hamilton Moses and the highly successful four-point program sponsored by Arkansas Power & Light Company, perhaps better known as "The Arkansas Plan"; Mississippi Power & Light Company's "Helping Build Mississippi" Club, and the notable exhibit of products of Southern industry that has become a permanent feature of the International Trade Mart in New Orleans, thanks to the efforts of New Orleans Public Service Company and its affiliated companies.

Here in Florida, the Florida Power & Light Company and the other Florida companies have been doing an excellent job of publicizing this State as the only place in the country where you enjoy real summer weather in the winter time.

Sometime ago in getting material together for a farm electrification talk, I was interested to learn the extent to which member companies of the Southeastern Electric Exchange and their personnel have given of their time and abilities to soil improvement and cultivation. I hesitate to single out any company for its accomplishments in promoting agriculture, for it appears that practically all are doing an outstanding job in cooperating with vocational agricultural schools, universities, the U. S. Department of Agriculture, the agricultural extension service and experiment stations, farm and farm youth organizations and the equipment manufacturers.

### Utilities Companies Have Interest In Profitable Farming

The electric utility companies have an extensive and deep-rooted interest in profitable farming. The future of a considerable portion of their business is committed to

and bound up in the future of farm electrification. They can be counted upon, therefore, to continue their long-time interest in agricultural development.

I realize that there is a limit to how far we can go in spending money on these types of activities, but certainly the electric companies are well equipped to help in such endeavors and their participation can prove of benefit to the individual companies, their customers, employees and security holders. After all, an electric light and power company cannot move away if business is slack and unsatisfactory. Unlike many manufacturers and other businesses, its investment in generating equipment, transmission and distribution lines is anchored in the soil of the territory it serves. The territory must therefore grow and prosper, if the utility company is to grow and prosper.

We have still another job to do for the customers we serve. The Federal, State and local governments need tax monies to operate and the electric light and power companies, as well as all businesses, should pay their fair share of taxes. Taxes which the electric light and power companies pay are included in the bills for electric service paid by their customers—so in effect the taxes are paid by their customers.

Under existing laws our customers pay 14 cents of every dollar we collect from them for the support of the Federal Government. Customers of Federal, State and local government power agencies, however, are exempt from paying through their electric bills this share of the cost of the Federal Government, as government power operations do not pay Federal taxes. We must continue in the interest of our customers to urge Congress to remove the unfair tax-exemptions enjoyed by government proprietary power business so that their customers shall share in the cost of supporting government and thereby reduce the burden that should be common to all of us.

Another 9 cents of every dollar electric light and power companies collect from their customers goes for the support of State and local governments. But government power agencies make little, if any, payments in lieu of State or local taxes. Since these government power operations enjoy benefits provided by local governments, they should pay their fair share of the cost of such benefits.

### Federal Power Projects Should Be Taxed

Congress should authorize State and local governments to levy taxes against the power facilities and power business of Federal agencies on the same basis that such taxes are levied against private business. As substantial local taxpayers we are interested in the efforts of local governments to gain the right to tax Federal property, particularly where it is used in competition with private business, at the same rate as other similar property in each area. In addition to reducing the share of each local taxpayer, such action would help to reveal the true costs of Federal Government power operations and would help to show the unfairness of the so-called "yardstick" and the uneconomic character of such operations.

There are several precedents for this recognition of the obligation on the part of the Federal Government to assume part of the costs of local government. In the District of Columbia, seat of the

national Capital, the Federal Government, according to Moody's Manual, pays over 10% of the costs of the district's operations. The Federal Government also contributes or pays local government costs in some areas where plants of the Atomic Energy Commission are located and in other instances pays substantial sums for schools and other government purposes. In recent years the property holdings of the Federal Government have greatly expanded throughout the nation, and the principle that caused Congress to assume a share of the cost of certain local government operations should be applied generally throughout the nation and particularly to a Federal Government operation that competes with private business.

I would like to mention another inequity. In some instances the interest against the capital the government employs is not charged against the government proprietary operation and in other instances the interest from the securities sold to finance the projects are free from Federal income taxes and in many instances free from State income taxes. Rates charged for government-produced power should include the full cost of money. In the case of Federal operations, the full capital cost should be fairly allocated to power facilities by an agency concerned with the welfare of the U. S. Treasury and should include interest during construction. Such procedure would be no more than consistent with sound business principles.

If the Federal Government included all costs in its charges for power, in practically every case the resulting charges would be greater than the market value of power in the same area that is or could be produced by the electric power companies under the regulation of the Public Service Commission controlling power company rates.

Another discrimination practiced by the Federal Government in the power business is the preference which Congress has decreed, in most instances, shall be given to public bodies and cooperatives in the sale of electricity from Federal Government projects. This discrimination against the customers of the investor-owned companies is unfair. It should be eliminated so that customers of private enterprise, cooperatives or government operations will be treated alike.

If the government with the monies of its citizens is going to compete with them in business, certainly it should be on an equal basis with investor-owned business, charging to its business the true costs of doing business, and not base its prices on subsidized costs at the expense of the customers of investor-owned business and other taxpayers. The Federal Government's power operations on a true cost basis cannot match our record.

When the Federal Government in the '30s embarked on its extensive program of building multipurpose dams, it was claimed that production of electricity would be a by-product or incidental to some constitutional function such as navigation, irrigation or flood control. This claim was unmasked in 1942 right here in the South in litigation involving the South Carolina Public Service Authority, a State-created agency enjoying Federal financial assistance. The Authority petitioned for a rehearing in which it was stated that the Supreme Court of South Carolina in considering the case should have known, that, while the Act creating the State Power Authority referred to improving rivers for navigation and commerce, this was only a constitutional safeguard, that the real purpose was to put the State in the power business.

Let me quote a paragraph from the petition for rehearing filed by the Authority:

"In the great national projects like the Bonneville Dam, the Boulder Dam, and the TVA, the improvement of navigation, reclaiming waste lands, and the creation of a 'yardstick' for electric rates are illustrations of legislative declarations intended to overcome the probable hostile attacks, while at the same time everybody understood and now knows it as a fact that the object of the named projects, and of scores of others that have since been undertaken, was to socialize, so to speak, the business of producing and distributing electric energy through public grants and public ownership."

Twenty years ago the power generating capacity of the Federal agencies was seven-tenths of 1% of the industry's total. Today it is 12%. Federal generating capacity has increased more than 40 times in this 20-year period. This generating capacity financed by billions of the taxpayers' dollars amounts today to approximately 11.4 million kilowatts. Although by itself, this figure is alarming, the real danger lies in what could be built on this foundation, if indifference to, or neglect or lack of understanding of, this situation should persist.

### Extent of Federal Power Projects

Some 9.5 million kilowatts of additional generating capacity are now in various stages of construction for new Federal plants and additions to existing Federal plants, and close to 6.5 million more kilowatts have been authorized by Congress, although all of the necessary appropriations have not yet been made. Above and beyond this, nearly 36.5 million kilowatts more have been listed by Federal Government agencies.

The total of all of these projects—now in service, building or contemplated—would come to 64 million kilowatts, or nearly as much as the present total generating capacity of America's investor-owned electric utility companies.

The entire private electric industry has taken new heart from the courageous and statesmanlike approach which the member companies of the Southeastern Electric Exchange have taken with respect to public power. While there may have been differences among you as to the most desirable solution of this problem, these differences have not been allowed to weaken your resistance to the threat of socialized power.

There is another matter affecting service to our customers that deserves our active attention. The supply of electric power is inherently a local business even though service areas may spread across state lines. True, we have built interconnections that extend over many state lines and should continue to do so, mainly for reliability of service, but also for refinement in economies of operation. Nevertheless the big job is a local operation and must always be so.

### Overlapping of Federal and State Regulations

It is a well accepted principle in the rendering of electric service that the rates could be subject to regulation conforming with provisions fixed by state legislatures or city ordinances. With few exceptions the states have regulatory commissions. Under the regulation of these state commissions, the companies have been responsive to local needs and requirements of their customers.

By Act of Congress there is a Federal Power Commission which also has regulatory powers and it has been well demonstrated that where there is overlapping regulatory jurisdiction, a Federal agency, backed up by Federal court decisions, often assumes the dominant role and the state regu-

latory body becomes secondary, if not subservient, in its position.

It should be accepted, as a basis of interrelations between the Federal and state governments, that the regulation of electric light and power companies should be by the state or local agency, thus preserving states' rights, and that the regulation exerted by the Federal Government should be reduced to that minimum, which is fully justifiable in the interest of the customer, because either the state, or a compact of states, lack jurisdiction over some part of the business. Were this broad principle adopted there would be no justification in the case of licensing dams on navigable streams, or tributaries thereof, for the Federal Government to impose any conditions on such licensing relating directly or indirectly to rate regulation, but the conditions would relate solely to assuring a proper protection of the bonafide interest of navigation. Further, the term "navigation" should be redefined so as to exclude waters where navigation, in fact, is non-existent, or is confined to a few pleasure craft, since in such latter situations there is no need for Federal control. The entire matter would then be and would properly be the concern only of the state and local governments.

We would welcome steps by the Federal Government to reduce the burden of overlapping regulation by simplifying its requirements and by leaving more of the job of regulation exclusively with the state commissions. This overlapping regulation is costly to the companies and is reflected in their charges to their customers. Although some relief can undoubtedly be obtained by voluntary Commission action under existing statutes, amendment of such laws is necessary for adequate relief in the public interest.

To sum it all up, we have no fear of government competition per se. We do have deep fear of the destructive force of government taxation, combined with the continuing policy of Congress permitting government bureaus and agencies to compete unfairly in the power business. These problems of government in business and the preservation of our system of free enterprise must in the final analysis be adjudicated in the court of public opinion. The solution will be made easier and will come sooner when the public is fully advised of the problems and inequities that exist and how the public will be benefited by their fair and proper solution or elimination.

## Louis Gibbs Back At Desk From Europe

Louis A. Gibbs, Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, recently returned from a visit to the

firm's office in Basle, Switzerland. Mr. Gibbs was accompanied by W. L. Ertinger, manager of the Foreign Department.

The Basle office is located at 5 Dufourstrasse in modern space, and is under the management of Dr. George Weil, a member of an old South German banking family. Dr. Weil will conduct a general brokerage business in American listed and over-the-counter securities.



Louis A. Gibbs

## Gorham Knowles With Schwabacher & Co.

Expanding their industrial department, Schwabacher & Co., 14 Wall Street, New York City, members of the New York and San Francisco Stock Exchanges, announce the association with them of Gorham Knowles.

Mr. Knowles brings to his new position a sound background of financial and industrial management experience. Upon separation from the service at the close of World War II where he served as a Naval Lieutenant, he joined a firm of national consulting engineers specializing in industrial management. Recently he has specialized in the sale and purchase of companies.



Gorham Knowles

## Brady Chairman of Hugh W. Long Co.

Announcement has been made of the election of Wm. Gage Brady, Jr., as Chairman of the Board of Hugh W. Long and Company, Incorporated, sponsor of Fundamental Investors, Inc., Diversified Investment Fund, Inc., Manhattan Bond Fund, Inc., and Diversified Growth Stock Fund, Inc., mutual funds located in Elizabeth, N. J. Mr. Brady is former President and Chairman of the National City Bank of New York.



Wm. Gage Brady, Jr.

In his capacity as Chairman of the sponsor organization, as well as of the funds, Mr. Brady will again draw upon his extensive experience as senior policy maker for a large financial institution. The funds of which he is now Chairman have more than \$250,000,000 in assets and serve over 75,000 shareholders resident in every state of the union.

## Chicago Bond Club Annual Field Day

CHICAGO, Ill.—The Forty-First Annual Field Day of the Bond Club of Chicago this year will be held at the Knollwood Club, Lake Forest, on Friday, June 4. The Board of Directors has appointed the following General Committee: Richard L. Kennedy, Jr., Chairman, Harris, Upham & Co., Milton S. Emrich, Julien Collins & Company, Thomas W. Evans, Continental Illinois National Bank and Trust Company of Chicago, and George R. Wahlquist, Weeden & Co., Vice-Chairmen.

The General Chairman has appointed the following Committee Chairmen:

Arrangements: Richard B. Walbert, Blyth & Co., Inc.  
Baseball: P. Aldeen Bergquist, The First National Bank of Chicago.  
Dinner: Carl H. Oilman, Lee Higginson Corporation.  
Dividends: Edde K. Hays, Central Republic Company.  
Entertainment: John J. Markham, Hornblower & Weeks.  
Golf: John H. Anderson, White, Weld & Co.  
Investment: Chris J. Newport,

Merrill Lynch, Pierce, Fenner & Beane.

Refreshments: Charles F. Cutler, F. S. Moseley & Co.

Trophies: George R. Torrey, McCormick & Co.

## Batchker, Eaton Co. Formed in N. Y. C.

Announcement has been made of the formation of the new securities firm of Batchker, Eaton & Company, members of the New York Stock Exchange. The partners are Philip A. Batchker, Jerome A. Eaton and Joel A. Batchker.

Philip A. Batchker is retiring as Chairman of the Board of Old Town Corporation, with which organization he was associated for

the past 10 years. Prior to that he was chief renegotiator for the Quartermaster Department of the Army and had originally been a partner in the former New York Stock Exchange firm of Straus & Company.

Mr. Eaton was formerly Treasurer and a Sales Executive of Old Town Corporation. He attended the Wharton School of Finance, University of Pennsylvania and served in the U. S. Air Force during World War II.

Joel A. Batchker was graduated from Seton Hall University and attended the University of Pennsylvania Law School. He became a member of the New York Stock Exchange in December, 1953. The firm will have its offices at 120 Broadway, New York City.

It was also announced that Samuel Z. Gelsey has joined

Batchker, Eaton & Company as a customer's broker. Mr. Gelsey had previously been with Ernst & Co. in the same capacity.

## Talmage & Co. Opens New Office in Brooklyn

The securities firm of Talmage & Co., member of the New York Stock Exchange, has opened a new brokerage office at 2215 Church Avenue, Brooklyn, it is announced.

The office will be under the management of Eugene Rosenfield. Talmage & Co., with its main office at 111 Broadway, New York City, also has a branch in Forest Hills.

## Two With Wm. R. Staats

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Chadwick E. Richey and Thomas S. Young, III have become associated with William R. Staats & Co., 640 South Spring Street, members of the New York and Los Angeles Stock Exchanges.

## Joins Hall & Hall

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Donald V. Selland has been added to the staff of Hall & Hall, Bank of America Building.

## Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leo G. Neal is now with King Merritt & Co., Inc., 1151 South Broadway.

# Aluminium Limited

## HIGHLIGHTS

### from the 1953 Annual Report

(IN CANADIAN DOLLARS)

	1952	1953
Total Sales.....	\$332.9 millions..	\$335.7 millions
Depreciation.....	37.6 millions..	50.7 millions*
Profit Taxes.....	35.3 millions..	25.7 millions
Earnings (common stock)...	22.4 millions..	19.5 millions**
Dividends (common stock)...	16.0 millions..	17.3 millions

## OPERATING RESULTS PER SHARE

(based on common shares outstanding at the end of 1953)

	1952	1953
Net Profit.....	\$ 2.48.....	\$ 2.16
Depreciation.....	4.17.....	5.62
Cash Income.....	6.65.....	7.78
Income Taxes.....	3.91.....	2.85
	<u>\$10.56</u>	<u>\$10.63</u>

	1952	1953
*Depreciation (capital cost allowances)		
Normal allowances on facilities in operation.....	\$16,475,671	\$21,812,257
Other allowances, including \$24,381,813 (1952—\$18,215,808) on facilities prior to completion.....	21,102,222	28,869,164
	<u>\$37,577,893</u>	<u>\$50,681,421</u>
**Other allowances had the effect of reducing profit carried to earned surplus by.....	\$11,227,900	\$16,356,860

## EXPANSION PROGRAM

The expansion program undertaken by the Company in 1951 was substantially completed in 1953. By the year-end more than 90% of the estimated \$465,000,000 capital expenditures for the program had been made and about one-third of the newly acquired assets were in operation. The Kemano-Kitimat project in British Columbia will be in operation in the summer of 1954.

Copies of the Annual Report may be obtained from:



# ALUMINIUM LIMITED

Mailbox 6090 Montreal, Canada

## Meeting Competition in International Trade

By A. M. STRONG\*

Vice-President American National Bank & Trust Company  
Chicago, Ill.

Mr. Strong calls attention to growing competition facing U. S. in world markets. Points out Japan, Germany and other industrial nations are aggressively promoting sales in Latin America and elsewhere and offer lower prices and longer credit terms. Advocates concentrating activities of Export-Import Bank on financing of exports from U. S., and warns unless some method of meeting competition in credit terms is devised, we will eventually lose our overseas markets.

We are now faced with growing competition in world markets. The competition is in price, credit terms and the free availability of non-dollar currencies. We are now in a buyers' market and can no longer sell by merely offering our goods.

Our non-military merchandise exports have declined in 1953 by approximately one billion dollars and the trend continued in 1954. Our January exports were 17% below the 1953 monthly average and 19% below the December exports.

For a number of years since the end of the war we spent huge sums of money in foreign aid, helping to rehabilitate the industries of European nations and to industrialize backward countries in other areas. We were successful in this undertaking. European industrial production is now higher than before the war and has reached a level which enables these nations to compete with us. Our customers can now obtain many types of good quality goods in Europe and Japan without worrying about the dollar shortage. Britain's exports nearly doubled in the last four years. Exports of other nations show a substantial increase.

Japan, Germany and other European industrial nations are aggressively promoting sales in Latin America and elsewhere and offer lower prices and longer credit terms. They are able to extend long payment terms through the assistance of their government credit insurance agencies. Such insurance is now available in a number of countries including Canada, England, Belgium, Holland, Germany and France.

### The Task of the Exporter

What can the American exporter do to meet this competition? There is no all inclusive method or formula which could solve the problem. American exporters can cope with price competition by maintaining high quality standards, attractive design, prompt delivery and adequate service. However, they cannot compete with credit terms supported by foreign government insurance, with import quotas, special taxes and high duties imposed by other nations. They cannot compete with exchange restrictions.

Although the Export-Import Bank Act of 1945 states that the objects and purposes of the bank shall be to aid in financing and to facilitate exports and imports between the United States and other countries, the bank is mainly engaged in financing development projects abroad. Even these ac-

tivities have been limited by the new Administration because the bank's financing must be included in the Federal Budget as an expenditure.

It has been proposed that the Export-Import Bank be authorized to extend guarantees to American exporters, especially for capital goods, which require long term financing. Such guarantees would not affect the Federal Budget because no cash outlays are involved.

The Illinois Manufacturers' Association recently recommended that the activities of the Export-Import Bank be concentrated on the financing of exports from the United States through loans and guarantees to United States companies and individuals who cannot obtain adequate credit facilities from commercial banks because of the terms and duration of the credits; that the primary consideration for the financing should be direct assistance to American manufacturers; that the loans or guarantees should not be extended for the development in other countries of enterprises competitive to United States industry.

Unless some method of meeting competition in credit terms is devised, we will eventually lose our overseas markets for capital and other goods which require long-term financing.

While there is an improvement in the exchange situation abroad and many nations have increased their dollar and gold holdings, the dollar shortage is still in evidence and American imports are subject to restrictions in most countries. The dollar shortage is being overcome to some extent by triangular transactions. These arrangements which are gaining in importance enable American exporters to sell goods in countries where such sales would not be possible because of the lack of dollars.

In substance, a triangular transaction is an arrangement whereby a country short of dollars but long in guilders, kroner, pesos or some other currency, imports American goods by paying in one of these currencies which is immediately converted into dollars. As a rule the American manufacturer receives a Letter of Credit in dollars before making the shipment. Triangular transactions must have the approval of the countries involved and are made under government licenses.

The exchange used in such transactions originates through the clearing and payment agreements between most trading countries outside of the dollar area. There are about 70 countries which maintain clearing and payment agreements with each other and it is estimated that there are about 2,000 such agreements.

Triangular transactions are used by governments, including our own government. Such deals in agricultural products were recently announced by our foreign aid agency, the Foreign Operations Administration. While some of the larger Midwestern concerns occasionally export and import through third countries, the bulk of this business is conducted in the East.

We can meet the increasing for-

eign trade competition through the high standard of American quality, through aggressive selling and by adapting ourselves to new methods and new ideas. However, our government must take the initiative in removing the trade barriers which now hamper international trade. I firmly believe that given an equal chance American ingenuity will meet the new problems in foreign trade as we have met similar problems in the past.

## Howard J. Eble With Gottron, Russell & Co.

CLEVELAND, Ohio — Howard J. Eble, one of Cleveland's well known traders, has joined the trading department of Gottron, Russell & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

For the past year with Parsons & Co., Inc., Eble started his active securities career in 1932 with Wm. J. Mericka & Co., Inc., where he became known throughout the financial world for his trading abilities.

A specialist in over-the-counter securities of Cleveland and Ohio, Eble is a World War II veteran and in 1952 was elected and served as President of the Cleveland Security Traders Association.

## McCormick Re-elected By American Exchange

Edward T. McCormick, American Stock Exchange President, was re-elected to a new three-year term in that office beginning April 1, 1954, according to an announcement by the Exchange's Board of Governors.

In April, 1951, at the age of 40, McCormick resigned as a Securities and Exchange Commissioner to become the third paid President in the Exchange's history.

## Mich. Mun. Advisory Council Elects

DETROIT, Mich. — Cecil R. Cummings, Manager of the municipal buying department of First of Michigan Corporation, has been elected Chairman of the Municipal Advisory Council of Michigan, according to Louis R. Schimmel, director. T. Norris Hitchman of Kenower, MacArthur & Company, was elected Vice-Chairman, and E. Price Kimbrough of Shannon & Company, was named Secretary-Treasurer.

The council cooperates with cities, villages, townships, and school districts in their finance procedures. Its membership is composed mainly of investment firms which bid on Michigan issues, banks, trust companies, and insurance firms.

## Joins Hill Richards

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Lloyd E. Rogers is now with Hill Richards & Co., 155 Montgomery Street. He was formerly with Wulff, Hansen & Co.

## Condemns Lack of Gold Standard

Prof. O. Glenn Saxon attributes widespread acceptance of communism and similar radical ideologies, as well as economic and social chaos, to depreciated, irredeemable paper money.

In a radio talk, "Yale Interprets the News," on March 28, Prof. O. Glenn Saxon, Professor of Economics at Yale University, attributed the current widespread acceptance of communism, fascism and socialism throughout the world to the almost universal abandonment of the gold standard.

He urged an immediate return to the gold standard in the United States as a means of putting "the brakes on all inflationary forces" and of making the government "keep the budget balanced, except in real emergencies," adding that when governments started issuing paper dollars, instead of gold dollars, which have a fixed monetary value, economic and social chaos became inevitable. Savings and investments were wiped out as the purchasing power of paper money that could not be converted into gold declined.

Professor Saxon, a former Commissioner of Finance and Control in Connecticut, served as economic advisor to Republican Presidential candidates Alfred M. Landon and Wendell Willkie.

After World War II, Prof. Saxon maintained, about three quarters of the people of the world "suffered losses of a minimum of 90% of the purchasing power of their monies, debts and fixed investments" because their nations had dropped the gold standard during the depression of the '30s.

He added that "only a few nations of the world escaped with losses of less than 50% of the pur-

chasing power of their monies" after World War II.

Abandonment of the gold standard has enabled nations to repudiate their monies for political purposes, thus destroying the value of all public and private debts as well as investments and savings, he pointed out.

The constant repudiation of the value of money throughout the world following the abandonment of the gold standard "confirms the accuracy of Karl Marx's thesis that the surest way to destroy a free capitalistic society is to debase its currency," Prof. Saxon continued, and he pointed out that "since 1933, when the United States abandoned the gold standard for the first time since 1879, our money supply has increased five-fold."

Since 1939, he added, our money supply has increased three-fold, while our production of goods and services has only doubled.

For this reason, Prof. Saxon maintained, prices in this country have almost doubled since 1939. "In other words," he said, "the purchasing power of our paper dollars and of all our fixed investments and savings have been cut in half since 1939."

Prof. Saxon, in urging an immediate return to the gold standard in the United States, said that the U. S. gold stock, which since the war has grown to its highest level in history, "is ample to sustain a still greater money supply than at present." He maintained, furthermore, that the United States should return to the gold standard whether or not the other countries of the world do so.

"Our return would encourage and help other nations to restore the gold standard," he insisted. "Some would do so at once, when they are assured that we are repudiating the system of politically-managed paper money."



Dr. O. Glenn Saxon



Howard J. Eble



E. T. McCormick



Robert C. Swanton

## Industrial Business Decline Leveling Out

Business Survey Committee of National Association of Purchasing Agents reveals new orders for first time since last May have over-balanced decreases, and holds this indicates that the industrial business decline is leveling out.

A composite opinion of purchasing agents who comprise the Business Survey Committee of the National Association of Purchasing Agents, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, New Haven, Conn., reports that for March "industrial production and order increases both outbalanced decreases for the first time since last May. The change of trend is marginal and, possibly, seasonal for production, with 24% up and 18% down. It is stronger on new orders, with 31% up and 17% down. As would be expected, the individual changes are not large, and the reversal of trend is not strong enough to indicate a sharp upswing. However, it is apparent from our March survey that the industrial business decline has abated and is leveling out. Prices are showing some strength, particularly in the non-ferrous metals. Unworked material inventories are down again. Employment is showing some betterment, as 68% report it to be holding steady, the same as last

month, with some reporting increases. Buying policy is still of short range."

The comments from producers of excise-taxed items, it is pointed out, indicate that considerable business is being held back awaiting final tax legislation.

As to the future, the large majority of purchasing executives take a short-range view, and they expect that second-quarter activity will be higher than in the first quarter. A few can see good business through the third quarter and a few more are optimistic for the whole year. The longer predictions are hedged with too many "ifs" to make any clear pattern.

### Commodity Prices

While industrial materials markets record many small, scattered declines, there were fewer of them and the general price structure made the first show of strength this year. Nonferrous metals were in the van of this slight upward movement.

Competition is very keen. Salesmen are following up inquiries very closely. A large increase in open quotations is reported, indicating a broadening of the shopping policy of many buyers. No sharp price movement, either way, is looked for in the immediate future.

### Inventories

Inventories of the items and materials purchased are reported

\*Opening remarks by Mr. Strong at the World Trade Forum sponsored by the Illinois Manufacturers' Association, Chicago, Ill., March 25, 1954.

lower by 44% of the purchasing agents reporting. This compares with 51% so indicating in February. While there is no tendency to build up inventories, the highest number since last November (45%), shows no change in stocks, confirming the February report that adjustments of unworked materials to current requirements have been completed in many companies. Quick availability and increased competition are restraining influences on inventory accumulation.

#### Employment

Pay rolls continue to decline, with 32% reporting layoffs or reduced working time. This is the same percentage that reported this condition last October. The peak month, however, was January, when 47% reported lower employment. Only a few reductions were drastic cuts. The majority consists of not replacing quits or of instituting a shorter work week. Several report calling back people laid off in January. Productivity is on the rise. Few strike difficulties are mentioned.

#### Buying Policy

Commitments remain predominantly in the mid-range of "hand-to-mouth" to 90 days. Reversal of the boom time escalator pricing is beginning to appear in offers of protection against price declines to attract continuing volume purchasers. For the most part, purchasing departments are buying in the smallest economical quantities and placing orders more frequently.

#### Specific Commodity Changes

The downs lead the list again with many small price changes.

On the up side: Zinc, lead, copper and tin, cotton, dyes, malleable iron fittings, soybeans, sugar, pork, hides, mercury, soap, tallow.

Reported down: Alcohol, autos, brass rod, coal, cartons, cans, aluminum conductors, dry milk, fuel oil (some areas), gasoline, glycerin, some lumber, vegetable oils, propane, steel scrap.

Hard to get: Nickel, polyethylene, selenium, some structural steel.

#### Canada

Canadian industrial business in March has improved over February. Production increases and new orders are reported somewhat higher than in the United States. Commodity prices are very much in line. Inventories are higher and employment is picking up much faster. Buying policy a little longer range than in the United States. Weather is permitting the start of many building programs. Purchasing agents in Canada are optimistic for the second quarter.

#### Joins Schwabacher Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Kenneth E. Hooper has been added to the staff of Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges.

#### With Wulff Hansen

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Charles R. Pettit has become connected with Wulff, Hansen & Co., Russ Building. He was previously with Sutro & Co. and Revel Miller & Co.

#### With Boettcher And Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert W. Burke and Kenneth E. Linscott have become affiliated with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange.

## Public Utility Securities

By OWEN ELY

### Washington Water Power Company

Washington Water Power has a historic record. It was incorporated in 1889 and has paid dividends for 55 years—a record surpassed by only four other utilities on the Big Board. Up to August, 1952, however, the stock was held by American Power & Light Company, so that it has been known to the investing public less than two years.

The company serves electricity to 13 counties in eastern and north central Washington and nine counties in the adjoining section of northern Idaho. The territory covers approximately 26,000 square miles and has an estimated population of 470,000. Spokane, the principal city served, with a population of 161,721 (1950 census), is the hub of the so-called "Inland Empire." Seventy-eight other communities are served in Washington, including Pullman with a population of 12,022. A total of 57 communities are served in Idaho, including Lewiston with a population of 12,985, Coeur d'Alene with 12,198, and Moscow with 10,593.

The company's area includes the large Coeur d'Alene mining district of Idaho, portions of the mining region in northeastern Washington and the operations of the Howe Sound Company at Holden, Washington, which is at the head of Lake Chelan. From the company's area comes a major part of the nation's magnesite, and a large part of the lead, silver and zinc. The aluminum industry, which uses large amounts of electricity, is becoming increasingly important. Other activities include farming, lumbering and related operations.

The electric load is well balanced, with residential and rural business accounting for 47% of revenues and industrial and commercial 43%. The company's residential rates now average only 1.28¢ per kwh., less than half the average cost in the rest of the United States. As a result, during the past decade the average residential use of electricity has increased from 2,708 kwh. to 6,371 kwh., or nearly three times the national average.

The company has now launched its first major load-building effort in ten years and expects to build up residential use to 10,000 kwh. or more over the next several years. Because of the low rates resulting from hydro power, electric ranges have been popular since the 1920s. House-heating by electricity is also in use, with installations running at the rate of over 700 a year, but the utilities generally do not particularly care for this business because of the bad load factor. Electric dryers take considerable current with a well diversified load.

During 1951-53, under the vigorous leadership of President Kinsey Robinson (who earlier led the fight to keep the company from being sold to public power interests) the company about doubled its generating capacity through construction of the huge Cabinet Gorge hydro plant on the Clark Fork River in northern Idaho. This \$48 million project was accomplished through senior financing (principally a \$30 million bond issue) with resulting favorable effects for the common stock. Before Cabinet Gorge was constructed the company had purchased 30% of its power.

The Administration's decision to coordinate Federal and local in the construction and operation of hydro developments was particularly encouraging to the utilities of the northwest. Washington Water Power, with Pacific P. & L., Portland General Electric, Montana Power and Mountain States Power, has taken the initiative in plans to develop new major hydro sites in the region. The five-company group in December asked the FPC for a preliminary permit to investigate the possibility of developing a total of 536,000 kilowatts of hydro-electric power at Brucis Eddy and Penny Cliffs on branches of the Clearwater River in the Panhandle of Idaho. Present cost estimates are in the neighborhood of \$305 million. The five-company group represents about half the power customers in the northwest and has a combined generating capacity of 1,400,000 kilowatts. They estimate that about 150-200,000 kw. new plant capacity should be provided annually to meet the increasing power demands of the northwest.

Washington's 1953 share earnings of \$1.77 showed a gain of about 36¢ over 1952 if non-recurring items should be excluded from both years. The hydro outlook for 1954 is reported to be remarkably good, as determined by measuring the accumulated snow and the resulting spring stream flow. President Robinson, in a recent talk before the New York Society of Security Analysts, forecast earnings of \$1.85 in 1954 and over \$2 in 1955—plus \$1.10 cash "savings" per share as a result of deferred income taxes, resulting from the accelerated amortization of Cabinet Gorge. Earnings in the first two months of 1954 were 32¢ compared with 28¢ last year.

Due to the 65% amortization certificate on Cabinet Gorge, the company has now wiped out their surplus on the tax books, and current income after amortization (as reported to the Treasury) is insufficient to cover dividends. Hence 65%-75% of dividends (currently \$1.60) should be tax-free this year, it is estimated. Tax-free dividends will continue through 1957, assuming no merger with Puget Sound Power & Light. The merger proposal, while officially dead, is being kept alive by a Puget Sound Stockholders' Committee, which is attempting to obtain a list of stockholders in connection with the annual meeting of Puget Sound.

Year	Revenues (Millions)	Common Stock Record		
		Earnings	Dividends	Price Range
**1953.....	\$21.35	\$1.77	\$1.57 1/2	30-24
1952.....	18.80	1.67	1.27 1/2	28-25
1951.....	17.72	1.35	1.09	---
1950.....	18.20	1.25	0.92	---
1949.....	17.94	1.02	0.71	---
1948.....	16.71	1.10	0.71	---
1947.....	15.19	1.24	0.81	---
1946.....	12.52	0.94	0.65	---
1945.....	11.61	1.05	0.65	---
1944.....	11.38	0.76	0.52	---
1943.....	10.97	0.78	0.76	---
1942.....	10.55	0.68	0.54	---

\*Based on 2,342,411 shares in all years. \*\*Preliminary.

### Wayne Hummer Admits Becker as Partner

CHICAGO, Ill. — George R. Becker will be admitted as a General Partner in the firm of Wayne Hummer & Co. on April 1, it is announced.



George R. Becker

Mr. Becker joined Wayne Hummer & Co. in 1936 and has been with them since that time except for a period when he was in the army. Wayne Hummer & Co. are members of the New York Stock Exchange and other principal exchanges and maintain offices here and in Sheboygan and Appleton, Wis.

### With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — William L. Appleby is now with Mutual Fund Associates, 444 Montgomery Street.

### Three With Hamilton

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James H. Gilbert, Oliver H. Parish and James E. Rogers have become associated with Hamilton Management Corporation, 445 Grant Street.

### Benjamin Brooks Is Now With Cohu & Co.

PHILADELPHIA, Pa. — Benjamin A. Brooks, Jr., has joined the New York Stock Exchange member firm of Cohu & Co., as



Benj. A. Brooks, Jr.

Manager of the trading department in their Philadelphia office, 123 South Broad Street, it has been announced. One of the best known names in Philadelphia financial circles, Mr. Brooks was previously associated with Henry B. Warner & Co., Inc., and W. H. Bell & Co., both in Philadelphia. He has served several terms as a Governor of the Investment Traders Association of Philadelphia.

### E. I. Shelley Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Eugene W. Benson is now with E. I. Shelley & Company, E & C Building.

### Schwanz Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

AURORA, Ill. — Irving M. Farnsworth has become affiliated with Schwanz & Company, Merchants National Bank Building.

## ARMCO SALES REACH ALL-TIME HIGH IN 1953

Here are financial highlights of Armco Steel Corporation's annual report:

	1953	1952
Net Sales .....	\$588,919,900	\$518,575,218
Net Tons of Ingots Produced .....	4,704,773	4,042,473
Per Cent of Rated Ingot Capacity Operated .....	97.8%	87.5%
Net Tons of Manufactured Products Shipped .....	3,375,630*	3,078,639*
Net Earnings .....	\$33,902,462	\$31,337,861
Per Cent Net Earnings of Net Sales .....	5.76%	6.04%
Per Share of Common Stock .....	\$6.50	\$6.01
Cash Dividends on Common Stock .....	\$15,640,891	\$15,640,669
Per Share of Common Stock .....	3.00	3.00
Earnings Retained in the Business .....	18,261,571	15,697,192
Capital Expenditures .....	29,316,794	50,425,441
Total Taxes .....	57,773,971	49,195,884
Per Share of Common Stock .....	11.08	9.44
Long-Term Debt—less current portion (end of year) .....	75,281,460	80,519,945
Working Capital .....	134,103,527	123,973,720
Book Value Per Share of Common Stock .....	60.16	56.66

\*Includes products manufactured from ingots of other producers.

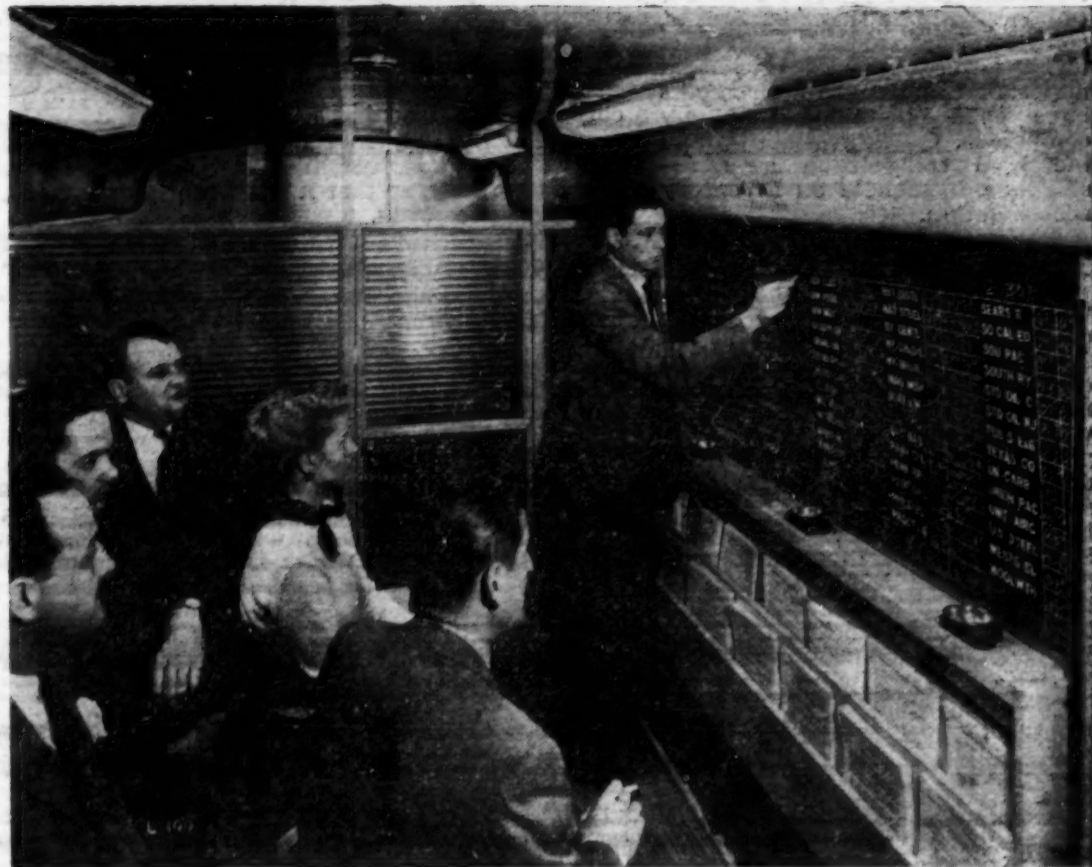
NOTE: All above figures exclude foreign subsidiaries except Canadian.

If you would like a free copy of our complete 1953 Annual Report, just write us at the address below.



**ARMCO STEEL CORPORATION**  
MIDDLETOWN, OHIO

# Bringing Wall Street to Main Street



## Merrill Lynch Put Brokerage Business On Wheels Via Custom Built Buses

Taking Wall Street to Main Street became a physical reality today when the nation-wide brokerage firm of Merrill Lynch, Pierce, Fenner & Beane launched three buses, each a complete office-on-wheels capable of rendering a full investment service. It is understood the cost of each bus was \$22,000.



Winthrop H. Smith

Plans for the use of the custom-built buses in 15 communities around Chicago, Boston, and Newark, N. J., were announced by Winthrop H. Smith, Managing Partner of the firm which already operates 113 standard offices in 107 cities. Scheduled trips will start April 5 from Newark and on April 12 from Boston and Chicago.

"Putting brokerage offices on wheels is nothing more than a logical outgrowth of our belief that investment service has got to be made much more widely available if we are going to accomplish our objective of seeing that as many people as possible own a share in American business," said Mr. Smith.

Each of the new mobile offices consists of a board room where stock prices are posted, and two private offices where people may discuss their individual investment problems with the experienced account executives who will man the buses. Each bus is equipped with a radio-telephone which ties in directly with the Merrill Lynch private wire system and assures bus customers that their orders will be promptly executed and confirmed. Up-to-the-minute market quotations can also be secured by radio-phone on any stock or bond, listed or unlisted, or any commodity.

The mobile offices will operate on regular schedules that will take them to the same communities on the same day of each week. Arrangements have been made so that the units will be parked in the same locations each week.

Thus in the Newark area the bus will be in Paterson on Monday from 9:30 a.m. to 4:30 p.m., in East Paterson on Tuesday, in Morristown on Wednesday, in East Orange on Thursday, and in Plainfield on Friday.

"Introduction of the mobile offices seems particularly timely now," observed Mr. Smith, "because of the thousands of new investors who have expressed an interest in the new Monthly Investment Plan which enables people to buy stocks listed on the New York Stock Exchange for as little as \$40 every three months."

"However, that's only one objective. Our other basic purposes are these:

(1) To provide the complete Merrill Lynch financial services to a larger number of communities.

(2) To make our facilities and services more convenient to present customers who live in towns where we do not maintain offices.

(3) To present before a much wider audience the Merrill Lynch educational program consisting of a number of explanatory booklets, two motion picture films, various lecture courses, and a comprehensive statistical and research service, all available without charge."

Each unit will be supported by newspaper advertising, the same as established offices. A regular schedule of advertisements will be run weekly in the local newspapers in the communities where the buses will operate.

The three mobile offices were manufactured from a standard design and, from outward appearances, resemble regular passenger buses. Each unit is 29 feet long, ten feet high, and nine feet wide. The lower part of the bus is blue and the upper section silver.

The interior of each mobile unit is partitioned into four separate compartments. The driver's compartment is separated from the other part of the unit by a partition from the floor to ceiling. Directly in back of the driver's compartment is an account executive's office. The middle compartment is the board room and the rear compartment is another office for an account executive. Partitions between each of the three com-

partments provide privacy for the transaction of business.

The private offices are equipped with chairs and a settee for the customers and a desk with a swivel chair for the account executives. The seats and the backs of the settees are of foam rubber and covered with royal blue vinyl plastic. The desks and chairs as well as the filing cabinets are of blond oak built in functional modern design.

The board room can accommodate half a dozen people on a large settee and three individual chairs. The quotation board measures two by five feet and provides room for listing the more active and popular stocks.

A complete library of investment data and a number of statistical reports, as well as Merrill Lynch material, will be carried in specially fitted racks in the board room.

The blue and silver decor is carried out in the interior. The ceiling area is arctic blue with recessed panels containing fluorescent lighting fixtures. The windows are of glare and heat resistant glass and are fitted with Venetian blinds.

Each bus is completely air-conditioned from units located in the rear space and venting into concealed ducts in the ceiling. Electric heaters for winter use are installed in each of the four compartments.

A special motor generator unit provides a 110-volt, 5-kw. electric power supply to operate the radio-telephones, electric heaters and the lighting and air-conditioning.

### John Hassan With Sutro

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—John S. Hassan has become associated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Hassan has been conducting his own investment business in San Mateo.

### Two With R. H. Moulton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Richard D. Gordon and Frederick N. Scatena have become associated with R. H. Moulton & Company, 405 Montgomery Street. Mr. Scatena was formerly with Davies & Co.

Continued from first page

## As We See It

cialist — a sad commentary upon the interest in such matters either in Washington or the country at large.

Says Mr. Stocker:

"One might surmise that statements of governmental cost would be readily available among the wealth of financial data published by the Federal Government. But no single Federal financial statement now published shows the costs to the Federal Government of its various activities. The preparation of estimates of such costs involves an amalgamation of financial data derived from Federal budgets, annual reports of the Secretary of the Treasury, and many varied financial statements of government agencies and corporations."

### \$8 Billion!

But let us turn to Mr. Stocker's findings. He comes up with an overall figure covering the fiscal years 1930-53, inclusive, of something over \$7.5 billion as the "Costs of Federal Activities to Stabilize Agricultural Prices and Income." This estimate does not include over a quarter of a billion labeled "emergency relief"; neither does it include nearly \$650 million in reserves representing the estimated loss on the holdings of the Commodity Credit Corporation as of June 30, 1953. Add the latter of these two items in, as certainly we must to obtain a realistic estimate of the cost to date of these programs, and we have well over \$8 billion of taxpayers' money laid out to support one element in the overall national economy — laid out obviously without any indication of any solution of the basic difficulties by which American agriculture is faced, and laid out by a government which has set for itself the task of stabilizing the entire economy.

But a closer look at some of these programs and their results is instructive. Take, for example, acreage allotment payments under the agricultural conservation program. These outlays ceased several years ago, and it is probably a good guess that the rank and file have long forgotten them. Yet beginning in 1937 and running through most of the war years, the costs of the activities of the Federal Government under this high-sounding title aggregated nearly \$2.4 billion. There are a long list of expenditures under the general title of "Removal of Surplus Agricultural Commodities," which beginning in 1936, and continuing even unto the present day, had by June 30 last year cost nearly \$1.6 billion. According to the latest figures included in this study, they were still costing not very far from \$75 million per year.

Here we have the old food stamp plan standing the taxpayer some \$262 million before it was discontinued during the early days of World War II. Outright purchases for direct distribution as school lunches and in other ways still runs to around \$57 million a year. It has

already cost us but a little short of \$670 million. The so-called export program accounts for nearly \$272 million and still runs several million a year. The cotton price adjustment program, which probably is now largely forgotten since no payments have been made since 1940, cost us over \$171 million before it came to an end. Administrative expense for all this group of activities alone came of itself to over \$60 million.

#### More Costs

Another group of direct outlays totaled about \$1.7 billion, a number of which have now been discontinued and quite possibly forgotten by many who now look with a tolerant eye upon the very ambitious plans of the politically minded Federal Government. Here we have the \$1.4 billion laid out under the Agricultural Adjustment Act of 1933 and of the Act of 1936. Parity payments under the Act of 1938 ran to approximately a billion dollars before they came to an end in 1945. Then there was and is the International Wheat Agreement which during the fiscal years 1950 through 1953 cost us \$558 million.

Then there are the government corporations which in a certain sense act as business enterprises. The Federal Crop Insurance Corporation has been a drain on the pocketbooks of the taxpayer in the amount of over \$162 million, and is still adding to its cost. The so-called revolving fund under the Agricultural Marketing Act has run up charges of some \$397 million. The Commodity Credit Corporation had by June 30, 1953 cost over \$1.7 billion net, including reserves of \$637 million against obvious losses on inventory.

#### Unrecorded Burdens

These figures, for what they may be worth, are, of course, costs which could be taken from the books of the various agencies and the Treasury if these accounts had been kept as any good business enterprise would keep its books. They may or may not have left out items which should be included in such a summation. They most certainly omit very large costs which could never be obtained from the records — even if they had been meticulously kept for the purpose of keeping track of costs. These costs are real enough, though. They consist of the loss to the nation involved in the misapplication of resources resulting from arbitrary subsidies and the like. No one can know how enormous such burdens are, but no one can doubt that they dwarf all figures that could be taken from the accounts of any concern.

### To Build Electric Generating Atomic Reactor

Speaking at the American Power Conference in Chicago, Ill. on March 26, A. C. Monteith, Vice-President in charge of engineering of the Westinghouse Electric Corp., revealed that his company, under the auspices of the Atomic Energy Commission, is in the course of producing a full scale electric generating station reactor, which is expected to become a reality within four years. Regarding this project, Mr. Monteith stated:



A. C. Monteith

"The Atomic Energy Commission has asked Westinghouse to develop a full-scale generating station reactor—for a plant producing at least 60,000 kilowatts of electric power. This is much larger than the power output of the submarine 'Nautilus.' We expect the new plant—the nation's first industrial power plant—to become a reality within four years.

"The designed gross heat output will be 900,000,000 BTU's per hour. The design may be conservative and may ultimately enable a greater heat output. The reactor plant will produce steam at approximately 600 psia saturated. Since this is a reactor of a new design, neither its continuity of operation nor its actual heat output, at least during the initial phase of operation, can be guar-

anteed. However, it is of an inherently stable type.

"The Commission has instructed us to design this reactor for construction at the least possible cost. Here we are not tied to the space, weight, and ruggedness limitations imposed by a naval combat vessel. Thus, there are many opportunities to save dollars. From a generating station standpoint, nevertheless, the cost may be high. It will include unusual building and site expenses, resulting from safety requirements. These requirements, in turn, are stiff because we want to see the reactor tested under severe conditions.

"In other words, the project will demonstrate that an atomic power plant can operate safely—so safely that successor plants may be located as close to centers of population as ordinary plants.

"For reasons such as this, it seems unlikely that the first atomic plant will compete commercially with fossil fuel plants—at least in the United States, where the price of coal is low. Let me remind you, however, that cost forecasting in the industrial power reactor field is guesswork. We can never establish the real cost of the first plant until we build it and find out. Neither can we reduce this cost until a full-scale plant is an operating reality. The building and operating of a plant of this size should yield more realistic technical and economic data than could be obtained from a smaller plant. The nation must learn by building.

"I cannot emphasize too strongly that developing a reactor plant remains difficult and expensive. Research and development—this is the hard phase and the more

costly phase. When you think of atomic power prospects as they stand today, we hope you will direct your main attention—not to construction, the relatively easy part—but to the difficult part, research and development.

"However, the real issue is not whether atomic energy is or ever will be cheaper than energy derived from fossil fuels. That is to a degree beside the point. We really have no choice. Regardless of comparative costs, we are compelled to develop some new source of energy commercially, if we continue the present phenomenal rate of increase in the use of energy. With present technical developments, that source apparently is going to be the atom. The energy books, to close the book, there is no other way to balance widening gap between what we have and what we need. We owe it to ourselves and to our children

to push as far as possible down the road toward practical use of atomic energy.

"Atomic powered generation will find application on utility systems in an orderly fashion. Present equipment will not be obsolete except as it becomes economically advisable to retire it.

"Regardless of the heat source, power systems will still need turbines, generators and transformers. The energy produced by means of this new heat source will go out over the nation's power lines in the same way it does now.

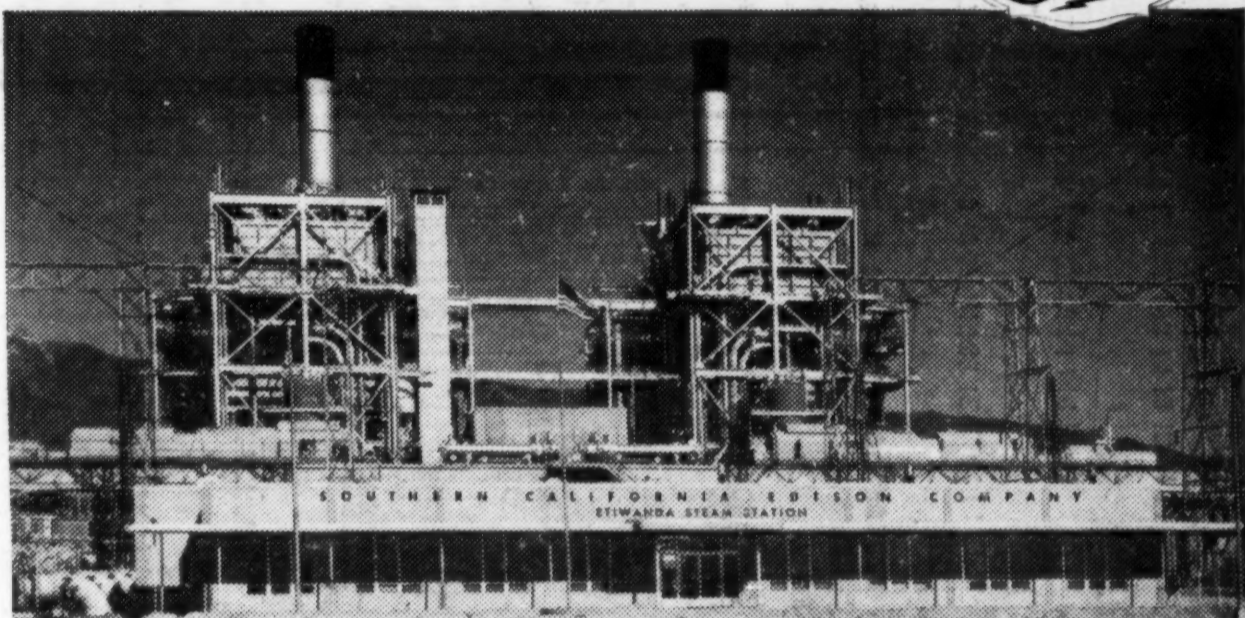
"Our ability as a nation to lead and to strengthen our allies depends on our techniques and production. These, in turn, depend absolutely on our ability to produce power and to continue producing it.

"To do that, we must do two things. We must lead the world

in developing new reserves of energy and, at the same time, continue to lead in the design and use of conventional machines that for many years will bear the brunt of power load.

"We have heard much talk about how atomic weapons threaten to propel the human race backward into a new caveman era. It is seldom pointed out, however, that accelerating depletion of our conventional energy reserves, combined with almost explosive population growth, contain the self-same threat. We can sink into primitivism through exhaustion of power sources as well as through war. The atom—used constructively, used for power—gives us our opportunity to substitute vast new energy for vanishing fossil fuels, and thereby to realize ever-faster, ever-greater progress."

### HIGHLIGHTS OF 58TH ANNUAL REPORT • 1953



**THE PRESIDENT'S LETTER...** "The year 1953 added another to the longest series of boom years in United States history and another record year in volume and growth of business of Southern California Edison Company... However, it is only by putting these figures in the perspective of a number of years that we can comprehend the significance of the expansion of economic activity in the territory which we serve... With the ending of World War II, the United States responded to pent-up domestic demand for goods, to the inflation, and to the expenditures made in pursuit of our role of leadership in the postwar world. The result was the most concentrated, explosive forward thrust of economic expansion ever made by any country in a similar period."

"At the very apex of the nation-wide expansion of economic activity—population growth, home building, industrial and commercial plant expansion, etc.—is the area served by your company..."

"... Our plant expansion is dictated by the community which we serve. We must serve all who comply with the required rules and regulations and pay the approved rates, and we must keep ahead of demand. We have proceeded with as much caution as possible, but there has been no period in these past several years when it seemed possible, without undue risk of inadequate plant, to halt our large construction program."

W. G. Mullendore  
PRESIDENT

**REVENUE AND EXPENSES...** Gross revenue was \$141,509,755, an increase of \$14,239,651 or 11.2% over 1952. Net income was \$21,872,010 and earnings for common were \$16,211,037, equivalent to \$2.56 per share of common stock after all charges, including preferred and preference dividends, compared with \$3.21 in 1952.

**GROWTH...** A new record of 74,695 meters were connected in 1953, compared with 58,343 in 1952. Total of 319,812 new customers for the period 1949-1953 inclusive headed the list of electric utility companies in the nation.

**RATES...** Hearings before the California Public Utilities Commission on the company's application for rate increase to provide increased annual revenues equivalent to approximately 6% rate on an undepreciated book-cost rate base have been in progress since June 10, 1953.

**FINANCING...** 500,000 shares of common stock were sold for \$18,540,000 in January 1953 and \$30,000,000 of 3 1/2% First and Refunding Mortgage Bonds, Due 1978 were sold in September 1953. Approximately \$51,000,000 of additional new capital will be required in 1954.

**PLANT EXPANSION...** Net plant investment of \$769,214,447 increased \$63,610,524 in 1953 compared with \$60,905,084 in 1952. Etiwanda Steam Station, with 250,000 kw generating capacity was completed in 1953 and Redondo No. 2 steam plant with one 156,000 kw generating unit is scheduled for operation in October 1954. Construction of a new 156,000 kw generating unit at El Segundo was started in October 1953 and is scheduled for operation in July 1955.

**GENERATION...** Total output was 10,275 million kwh, up 8.6% over 1952. System peak demand was 1,886,400 kw, an increase of 8.9% over 1952.

#### CONDENSED CONSOLIDATED BALANCE SHEET

December 31, 1953

ASSETS		LIABILITIES	
Electric Plant	\$769,214,447	Stated Capital and Surplus	\$333,953,364
Investments and Other Assets	9,459,803	Bonded Indebtedness	298,000,000
Current Assets	49,305,074	Current Liabilities	51,843,136
Deferred Charges	3,506,501	Depreciation Reserve	138,325,047
Capital Stock Expense	2,899,551	Other Reserves and Liabilities	12,263,829
<b>TOTAL ASSETS</b>	<b>\$834,385,376</b>	<b>TOTAL LIABILITIES</b>	<b>\$834,385,376</b>

SOUTHERN CALIFORNIA EDISON COMPANY

# The Favorite Fifty

AN ANALYSIS SHOWING, BY DOLLAR VALUE, THE LISTED STOCKS MOST POPULAR WITH PROFESSIONAL MANAGEMENT, AND THE RELATIVE STANDING OF THESE STOCKS SINCE 1949.

The holdings of 50 Closed-end Trusts and over 125 Mutual Funds—with investible assets of about \$5.5 billion—have been compiled in order to get the FAVORITE FIFTY.

Stocks owned by less than fifteen Investment Trusts and individual blocks of stock held for control, or what appears to be a similar purpose, have been omitted.

The market value of the FAVORITE FIFTY is about \$1.4 billion... representing about 25% of the total assets of all the Trusts.

RANK BY DOLLAR VALUE					STOCK—	\$ Value (millions)	No. of Trusts Hold'g	Number Shs. Held (thousands)	Percent of Outstdg. Stk. Held by Trusts
Dec. 31 1949	Dec. 31 1950	Dec. 31 1951	Dec. 31 1952	Dec. 31 1953					
2	3	1	1	1	Amerada Petroleum Corp.	81.6	31	495	15.68
7	11	15	14	2	Du Pont (E. I.) de Nemours & Co.	52.8	72	492	1.08
12	10	9	6	3	General Electric Company	52.6	76	601	2.08
3	1	5	4	4	International Paper Company	49.4	62	878	8.97
9	7	2	2	5	Standard Oil Company (N. J.)	48.1	72	638	1.10
5	5	6	8	6	Tec Texas Company	40.4	55	701	2.55
17	8	7	5	7	Goodrich (B. F.) Company	40.4	49	525	12.34
4	2	4	3	8	Continental Oil Company	39.0	64	749	7.69
24	9	10	9	9	Standard Oil Co. of California	36.8	60	696	2.43
19	15	12	12	10	Union Carbide & Carbon Corp.	36.5	73	411	1.70
15	17	14	11	11	Westinghouse Electric Corp.	35.6	73	699	4.43
1	4	3	7	12	Gulf Oil Corporation	35.2	57	762	3.07
6	20	31	10	13	General Motors Corporation	33.4	67	561	0.64
21	22	20	19	14	United Gas Corporation	30.8	53	1101	8.54
—	—	—	—	—	General Public Utilities Corp.	29.2	49	1006	11.05
16	—	8	13	16	Kennecott Copper Corporation	28.7	60	447	4.13
—	27	42	18	17	Ach-son, Topeka & Santa Fe Ry. Co.	28.3	46	301	6.20
13	—	46	33	18	Shell Oil Company	28.1	46	366	2.66
—	16	21	21	19	Sears, Roebuck & Company	25.3	37	409	1.69
11	—	27	27	20	Aluminum Company of Canada, Ltd.	25.2	48	522	5.79
25	13	16	15	21	Phillips Petroleum Company	25.1	61	469	3.22
35	33	40	32	22	Int'l Business Machines Corp.	24.6	31	93	3.03
—	23	13	17	23	Dow Chemical Company	24.3	50	637	2.81
22	—	50	—	24	National Lead Company	24.3	39	630	5.53
26	28	29	23	25	Middle South Utilities, Inc.	24.0	50	890	12.50
39	45	35	35	26	Central & Southwest Corp.	23.7	55	1010	11.10
—	26	22	24	27	Bethlehem Steel Corporation	23.6	48	473	4.93
—	42	36	30	29	Niagara Mohawk Power Corp.	23.3	59	833	7.25
—	—	48	29	—	Texas Utilities Company	22.7	33	470	8.32
—	36	49	—	30	Ohio Oil Company (Ohio)	22.5	54	418	6.37
—	—	44	41	31	American Tel. & Tel. Company	22.2	47	142	0.34
20	37	34	24	32	Scoony-Vacuum Oil Company	22.1	56	622	1.78
32	38	26	25	33	American Gas & Electric Co.	21.5	44	621	4.84
43	—	—	46	34	American Tobacco Company	21.4	39	348	5.38
41	19	11	31	35	Panhandle Eastern Pipe Line Co.	21.3	30	375	9.02
—	—	—	29	36	Monsanto Chemical Company	21.1	47	236	4.87
—	—	44	37	—	Southern Company	20.7	41	1285	7.10
—	—	50	38	—	Goodyear Tire & Rubber Co.	20.0	34	371	8.21
48	25	33	20	40	Reynolds (R. J.) Tob. Co. (N. J.) 'B'	19.9	34	504	5.36
—	—	42	41	—	Southern Pacific Company	19.8	41	540	5.96
23	12	18	22	42	Seaboard Air Line Railroad Co.	18.9	33	440	18.04
—	—	34	43	—	Standard Oil Company (Indiana)	18.8	35	274	1.78
28	34	—	—	44	Firestone Tire & Rubber Co.	18.4	26	283	7.18
—	—	—	45	—	Louisiana Land & Exploration Co.	18.1	24	352	11.84
—	—	—	46	—	American Can Company	17.6	34	445	4.09
—	—	—	47	—	Minnesota Mining & Mfg. Co.	17.5	32	391	3.66
36	49	—	48	—	Consol. Edison Co. of N. Y., Inc.	17.3	34	422	3.10
42	—	—	49	—	American Natural Gas Co.	17.0	39	417	11.33
—	—	—	49	—	Allied Chemical & Dye Corp.	16.8	28	229	2.59
—	—	38	50	—	Illinois Central Railroad Company	16.8	24	219	16.12

SOURCE: Vickers Brothers' GUIDE TO INVESTMENT TRUST PORTFOLIOS. Copyright 1954 by Vickers Brothers

# Well Said, Senator!

“ \* \* \* for nearly a quarter of a century, with only temporary cutbacks \* \* \* there has been continual increase in the size, scope, and cost of government, tax assessments, deficit financing and debt.



Harry F. Byrd

“In this period the Federal Government has been on a deficit financing basis for 20 of the last 23 years, through depression, post-depression, World War, post-war, Korean War, and now post-Korea. And the end is not in sight. State and local governments are following suit.

“Long-term commitments in advance for huge multiyear programs and projects have placed the rate of annual expenditure by the Federal Government virtually beyond control. Here again the states and localities appear to be following suit.

“In this impasse the Federal Government is talking about returning functions to states and localities. The states and localities are saying they cannot meet the additional expense until the Federal Government relieves their tax sources of dual assessment. Those who would hide from the reality of the situation are proposing budgetary legerdemain which they call ‘cash budget,’ ‘Ruml Plan,’ etc.

“If we have more government than we can pay for, or if we have more than we are willing to pay for, there is only one way to reduce it. That is, to reduce it, not shift it.”—Senator Harry F. Byrd in *The Annals of the American Academy of Political and Social Science*, March, 1954 issue.

There are evidently all too few Byrds in the Senate—and, we are afraid, in the country.

particular have made large gains in recent months. Still, I believe the average investor should have at least 60% of his investment fund in commons with reserve buying power (i.e. savings bank deposits), sufficient to bring this stock ratio as high as 80%, perhaps sometime during 1954. If he is in a very high tax bracket, 50% or more, these ratios should be lowered in favor of municipal bonds, but his buying reserve should still be more liquid than municipals. And for liquidity and yield combined the savings bank is hard to beat.

I believe it is very important that our individual investor develops (if he does not already possess it) a willingness to employ this buying reserve at strategic times—to keep on buying commons, or dollar averaging, as it is sometimes called. This concept is simple enough, but remember that in 1949 only 2% of those persons covered in the Federal Reserve System survey sample favored commons, but in 1953 with the stock market over 100 points higher and yields lower, four and a half times as many people liked them! Since personal incomes gained nothing even resembling four and a half times, this psychological phenomenon must be recognized as a severe handicap to investment success and we in the investment business must do all we can to counteract it.

**Investment Purchase Timing**  
This reference logically brings up the matter of investment purchase timing which I have only partly answered by referring to a buying reserve and dollar averaging. It seems to me, however, that the old axiom of buying bonds when business activity is high and switching to stocks in a recession has not worked out well for quite a long while. And although many people have spent much of the past eight years try-

ing to tie the FRB production index to their stock purchase programs they would have obtained better results by studying individual values. And if they felt required to be economists then they should have watched such money supply series as demand deposits and money in circulation as well as changes in the reserve requirements of member banks.

I believe that most of us attending this forum are interested in building up our capital during our good earning years rather than getting the last dollar of income. This means we should own, or buy and keep growth stocks, but not necessarily all stocks with the greatest degree of past growth. It is possible, however, to get a fairly good return from a diversified list of top quality stocks in such industries as chemical, ethical drug, television, natural gas, synthetic fibre, electric utility, paper and electrical equipment to name a few. If we are willing to include a few industries of slower growth and mix in one or two speculative income stocks, yields can be raised and one can still stay with quality. However, the matter of an individual's account diversification and yield is purely a mechanical affair, but I find it difficult to think in terms of real growth and above-average yields and I don't think one should try to combine them.

While I do not have time for details, I have prepared three lists which include common stocks of industries of well above-average growth. The first list returns 4.2%, the second list 4.6% and the third list 5.3%. I have used 15 stocks in each list which I think is ample diversification because many of these companies cover several industries—more than 30 of them in all and most of the companies are top names. I might add that it is possible to raise this yield to 6% without stretching

Continued from first page

## Common Stocks for The Individual Investor

owned shares of publicly held companies. However, when we consider that over half of the families with incomes of \$10,000 or more are share owners the figures are not so bad, but they indeed are bad enough.

### Reasons for Limited Ownership of Common Stocks

Reasons for the public's limited ownership of commons are many, but I believe the chief ones are, first, the severe losses which many people incurred in 1929-32 and again in 1937-38, and, secondly, the fact that common stocks for investment have been very poorly merchandised. In fact, except for the modern selling campaigns of the mutual funds and employee stock purchase plans they have hardly been merchandised at all.

Recently, the New York Stock Exchange has undertaken a national common stock sales campaign through its Monthly Investment Plan which is a very encouraging development. This promotional effort will not only be productive of direct sales under the Plan, but will result in indirect sales. Doubtless, it will help further the sale of mutual funds and vice versa. I would expect the family ownership figures on common stocks to look quite different over the next few years.

The happy investor is one who is satisfied with reasonable results and who understands that stocks are assets with fluctuating market value. Depreciation in bond principal is hidden, but in

stocks it is right there to look at and this obscures the true situation if one is thinking in terms of basic values and growth trends.

Since this forum is designed to be of practical value I would like to ask why buy common stocks at all inasmuch as their selection and management presents so many problems? First, let me say that there are only two important reasons why people do buy stocks. They are (1) the desire for profit-value appreciation and the (2) desire for income. Curiously enough only 1% of stock buyers say that they are interested in the “inflation hedge” concept *per se*, although inflation may subconsciously dictate their choice.

### The Income Incentive

Let us first turn to the individual buyer whose chief interest is income. If we look back to earlier periods such as the mid-1920's we find that the income-minded stock buyer today is incomparably better off. In those years he could buy AAA corporate bonds which returned him 4.5% to 5%, and high-grade preferreds which yielded 5.5%, while commons gave him only about 5%. But today, industrial commons still give him 5% plus, while AAA corporates return not 4.5% to 5% but only 2.8% and high-grade preferreds yield only a little over 4%. In other words, the stock-bond yield spread of 230 basis points today is certainly worth a great deal of thought, particularly with income

tax rates beginning to decline and with the possibility of a dividend credit being enacted into law. This dividend credit, by the way, in its second year would raise “take home dividend pay” by as much as 20% on joint returns for some investors, a fact which strengthens further the income argument for buying commons.

The capital appreciation objective, on the other hand, is related more clearly to the future and hence is less predictable. I do not feel that we are in a “new era” in the 1929 sense of the word, but we are in a new era insofar as money management is concerned. We have a flexible monetary policy, but the vested interests in easy money have become too numerous to make it politically feasible to “flex” the money supply but one way for very long as the early 1953 experience demonstrated.

Thus if we consider the implication of our monetary policy in practice (not theory), the good growth rate of American industry (5% annual average in the past decade), the stock-bond yield spread of 230 basis points and the downward trend of income taxes, we have a pretty solid background for being interested in common stocks for both income and appreciation.

### Common Stocks Still Statistically Attractive

At this time, however, some stocks are in a fairly high, old dollar price area, but on average commons are still statistically attractive in terms of price x earnings and book value, and comparatively quite attractive in terms of yield, as noted. The stock market could be temporarily vulnerable because blue chip stocks in

quality too far. I commend a similar approach to your attention in handling your personal investment programs if you are truly interested in long-term results.

The following tabulations show average yields for the lists as a whole and yields for each stock at the time they were compiled:

**List I****Industry (Yield 4.2%)**

**Natural Gas**  
United Gas Corp. 4.5%

**Oil & Gas**  
Phillips 4.4%

**Chemical & Syn. Fibers**  
duPont 3.5%  
Victor 4.2%

**Air Conditioning**  
Carrier Corp. 3.5%

**Television**  
CBS or Motorola 4.0%

**Ethical Drug**  
Smith, Kline & Fr. 4.7%

**Metal**  
Aluminium, Ltd. 3.8%

**Electrical Equipment**  
General Electric 4.0%

**Paper**  
Scott 4.0%

**Electric Utilities**  
Consumers Power 5.3%

**Sulphur**  
Texas Gulf 5.8%

**Cement**  
Lone Star 5.6%

**Glass Fibers**  
Owens Corning 1.8%

**Rubber**  
Goodrich 3.7%

**List II****Industry (Yield 4.6%)**

**Natural Gas**  
United Gas Corp. 4.5%

**Oil & Gas**  
Socony Vacuum 5.6%

**Chemical & Syn. Fibers**  
duPont 3.5%  
Monsanto 3.0%

**Air Conditioning**  
Carrier 3.5%

**Television**  
CBS or Motorola 4.0%

**Ethical Drug**  
Smith, Kline & Fr. 4.7%

**Metal**  
Aluminium, Ltd. 3.8%

**Electrical Equipment**  
General Electric 4.0%

**Paper**  
Crown, Zellerbach 4.4%

**Fertilizer**  
International Minerals or Tennessee Corp. 5.0%

**Electric Utilities**  
W. Penn Electric 5.8%

**Sulphur**  
Texas Gulf 5.8%

**Cement**  
Lone Star 5.6%

**Auto, Tractor & Miscellaneous**  
Armstrong Cork 5.4%

**List III****Industry (Yield 5.3%)**

**Natural Gas**  
United Gas Corp. 4.5%

**Oil & Gas**  
Socony Vacuum 5.6%

**Chemical & Syn. Fibers**  
duPont 3.5%  
Victor 4.2%

**Television**  
CBS or Motorola 4.0%

**Ethical Drug**  
Smith, Kline & Fr. 4.7%

**Metal**  
Aluminium, Ltd. 3.8%

**Electrical Equipment**  
Square D 6.6%

**Fertilizer**  
International Minerals or Tennessee Corp. 5.0%

**Publishing**  
Time, Inc. 6.6%

**Sulphur**  
Texas Gulf 5.8%

**Cement**  
Lone Star 5.6%

**Rubber**  
Goodyear 5.1%

**Auto, Tractor & Miscellaneous**

General Motors 6.4%  
Allis Chalmers 8.0%

**Other Suggestions of Varying Degrees of Growth:**

	Yield
Searle	3.3%
Merck	4.0
Procter & Gamble	3.8
Panhandle Pipe	3.3
Sunshine Biscuit	5.1
Hooker Electric	3.5

**With Alm, Kane, Rogers**

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — John G. McGovern has joined the staff of Alm, Kane, Rogers & Co., 39 South La Salle Street.

**Bankers Offer San Diego Gas & El. Bds.**

Salomon Bros. & Hutzler and associates yesterday (March 31) offered \$17,000,000 San Diego Gas & Electric Co. 2% first mortgage bonds, series E, due 1984 at 98.90% and accrued interest, to yield 2.93%. The group won award of the bonds at competitive sale on Tuesday on its bid of 98.357%.

Net proceeds from the sale of the bonds will be used to retire \$9,000,000 principal amount of bank-loan notes which were used to finance in part the company's

construction program and to reimburse the company for certain expenditures for the acquisition of property or for the construction, completion, extension or improvement of its facilities.

The new bonds will be redeemable at prices ranging downward from 101.90% to par.

San Diego Gas & Electric Co. is an operating public utility engaged in the business of generating, purchasing and selling electric energy in San Diego County and in a portion of the southern part of Orange County, Calif.; and of purchasing natural gas at wholesale and distributing and selling gas at retail in the City of

San Diego and other communities in western San Diego County.

For the year ended Dec. 31, 1953 the company had 226,304 electric and 179,924 gas customers and reported net income of \$4,628,000 versus \$4,581,000 for 1952.

Other members of the offering group are Dick & Merle-Smith, Equitable Securities Corp.; Weed-en & Co.; Stroud & Co., Inc.; The Milwaukee Co.; and Tucker, Anthony & Co.

**With King Merritt**

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La.—Charles W. Tschirn is now affiliated with King Merritt & Co., Inc.

# Pullman Incorporated

**SUMMARY OF RESULTS — 1953 ANNUAL REPORT\***

	1953		1952	
	Total	Per Share	Total	Per Share
Net Income Before Taxes	\$ 30,840,460	\$14.07	\$ 23,996,147	\$10.95
Taxes on Income	19,839,000	9.05	14,115,332	6.44
Net Income After Taxes	11,001,460	5.02	9,880,815	4.51
Dividends Declared	8,768,000	4.00	6,576,000	3.00
Working Capital	114,352,972	52.17	113,039,084	51.57
Net Worth	134,743,589	61.47	132,510,129	60.45

Pre-tax profit per share, at \$14.07, reached the highest level in the Corporation's history. Profits of each subsidiary company in 1953 were higher than in 1952. Pullman-Standard and Kellogg each accounted for approximately 40% of the consolidated earnings, and Trailmobile for 20%.

The present diversified character of the Corporation's interests should enable it to make satisfactory adjustments to normal fluctuations in general business activity.

\*Copies of the 1953 annual report may be obtained by writing to the Corporation, at 100 West Tenth Street, Wilmington 99, Delaware.



**PULLMAN-STANDARD CAR MANUFACTURING COMPANY**  
Designer and largest builder of railroad freight and passenger cars.



**THE M. W. KELLOGG COMPANY**  
Designer and leading builder of oil and chemical processing plants; fabricator of piping, pressure vessels, heat exchangers; producer of chemical materials including fluorocarbon plastics.



**TRAILMOBILE INC.**  
Designer and second largest builder of highway truck trailers of all types; servicing truck trailers through nation wide system of factory branches.

**87 Consecutive Years of Quarterly Cash Dividends**

## Railroad Securities

### Comparative Transportation Ratios of Class I Roads

Railroad analysts are continually stressing the fact that selectivity is essential in appraising railroad securities and the prospects for the individual railroad properties. It is impossible to group all railroads together as one single investment problem. One of the respects in which the individual railroads vary widely is in their ability to control costs. Virtually all railroads have spent heavily on property improvements and for new equipment in the postwar years. In part these expenditures have been made with a view toward giving shippers better service, but the major motivating factor has been an attempt to offset the impact of steadily rising wage rates and increases in the price of fuel and other materials. Not all railroads have been equally successful in meeting the cost problem.

One of the best measures of the progress of individual managements is found in the trend of transportation ratios. The transportation ratio represents the proportion of each revenue dollar spent to actually move and handle the traffic. These costs can not, as can maintenance outlays, be inflated or skimmed at management whim. In the tabulation below we show for 45 major carriers, and for the industry as a whole, the transportation ratios for the last four years, and the point change between 1953 and 1952.

Transportation Ratios

	1950	1951	1952	1953	Change (in points) 1953 vs. 1952
Atchafalaya, Topeka & Santa Fe...	30.2%	33.3%	31.1%	30.7%	-0.4
Atlantic Coast Line...	38.0	36.8	34.7	36.9	+2.2
Baltimore & Ohio...	40.2	39.8	39.4	38.5	-0.9
Boston & Maine...	41.2	42.7	41.7	41.9	+0.2
Central of Georgia...	44.3	43.5	40.9	38.6	-2.3
Central RR. of New Jersey...	41.9	44.0	42.0	41.0	-1.0
Chesapeake & Ohio...	32.1	32.9	31.5	31.5	—
Chicago, Burlington & Quincy...	33.0	35.1	35.2	35.2	—
Chicago & Eastern Illinois...	36.8	37.9	35.9	35.9	—
Chicago Great Western...	30.6	33.2	31.4	30.4	-1.0
Chicago, Mil., St. Paul & Pac...	40.9	42.4	40.6	39.9	-0.7
Chicago & North Western...	44.4	46.4	45.7	44.2	-1.5
Chicago, Rock Island & Pacific...	36.5	38.8	35.9	34.5	-1.4
Delaware & Hudson...	38.1	37.8	36.4	35.0	-1.4
Del., Lackawanna & Western...	43.8	44.9	42.5	42.6	+0.1
Denver & Rio Grande Western...	34.0	32.0	31.9	29.5	-2.4
Erie...	39.9	40.7	40.8	39.6	-1.2
Great Northern...	33.5	35.2	33.4	32.1	-1.3
Gulf, Mobile & Ohio...	30.1	29.5	28.6	28.6	—
Illinois Central...	35.3	36.8	35.3	34.5	-0.8
Kansas City Southern...	28.9	30.0	29.1	28.9	-0.2
Lehigh Valley...	40.0	38.8	38.9	39.3	+0.4
Louisville & Nashville...	37.0	36.6	35.5	33.3	-2.2
Minn., St. Paul & S. S. Marie...	39.7	39.6	39.2	39.5	+0.3
Missouri-Kansas-Texas...	35.0	37.6	34.6	34.6	—
Missouri Pacific...	35.7	38.1	35.7	36.5	+0.8
New Orleans, Texas & Mexico...	32.2	33.4	31.8	32.6	+0.8
New York Central...	44.2	46.1	43.5	42.4	-1.1
New York, Chicago & St. Louis...	32.6	35.3	34.7	34.3	-0.4
N. Y., New Haven & Hartford...	41.0	42.5	42.2	42.2	—
Norfolk & Western...	29.9	29.6	29.8	30.4	+0.6
Norfolk Pacific...	34.6	37.8	38.0	38.1	+0.1
Pennsylvania...	41.8	43.8	43.2	41.8	-1.4
Reading...	39.0	39.4	38.1	36.9	-1.2
St. Louis-San Francisco...	35.5	36.7	34.7	35.2	+0.5
St. Louis Southwestern...	29.8	30.9	27.1	27.2	+0.1
Seaboard Air Line...	34.0	34.0	32.0	31.8	-0.2
Southern Pacific...	36.3	38.7	37.0	37.2	+0.2
Southern Railway...	34.3	34.6	32.6	30.7	-1.9
Texas & Pacific...	32.2	33.1	31.0	31.1	+0.1
Union Pacific...	33.4	36.0	35.6	35.8	+0.2
Virginian...	22.8	22.0	23.4	25.5	+2.1
Wabash...	40.1	41.2	40.3	40.4	+0.1
Western Maryland...	30.2	31.5	31.6	28.4	-3.2
Western Pacific...	28.3	27.7	29.0	28.1	-0.9
CLASS I ROADS AS A GROUP	36.9	38.3	36.9	36.3	-0.6

Despite the downturn in business that started last summer, it will be noted that for the industry as a whole there was a modest

further cut in the transportation ratio to 36.3%. Of the roads covered in the list, 23 were able to cut their ratios also, there were six unchanged and 16 showed a year-to-year increase. Of those that were able to cut their ratios, Western Maryland made the best relative showing with a reduction of 3.2 points to well below 30%. There were three other companies, Central of Georgia, Denver & Rio Grande Western, and Louisville & Nashville, that cut their ratios by more than two points and Southern Railway was not far behind with a decline of 1.9 points to within striking distance of the magic 30% level. On the unfavorable side most of the increases were held to modest proportions. Exceptions were Atlantic Coast Line and Virginian, both of which reported rises of over two points.

The wide variations in the actual ratios is also interesting. With the industry average at 36.3%, individual performances ran all the way from a low of 25.5% for Virginian to a high of 44.2% for Chicago & North Western. In addition to Virginian there were six other roads that had ratios below 30%. Significantly, four of these were in the west and one in the south. The only eastern representative was Western Maryland. There were seven roads in addition to North Western that had transportation ratios above 40%. All of these were eastern carriers and the group included the two largest, New York Central and Pennsylvania.

Continued from page 3

## What's Ahead in Television And Appliances?

America want to buy this or that product, or will be content with what they already have, there can be no argument that they have the wherewithal to satisfy their desires if they want to or can be persuaded to do so.

Now I would be the last one to predict that further growth and future progress are going to come about automatically and without a lot of hard work. Nothing could be farther from the truth. In postwar America, there has been all too much guessing about where the Federal Reserve Board index of production is going to be three or six months from now—and perhaps not enough attention has been given to the thought and effort that different groups and individuals are giving to stimulating and enlarging their own part of the economy.

### The Outlook for Television

The current view of the television industry in some financial circles may reflect this general attitude. I would remind you that television and in fact the appliance industry are promotional businesses. It is not just enough to engineer and produce a fine product. It is equally important to create the demand for the product through merchandising and advertising and point-of-sale information.

The leading companies in the field have been able to do this successfully over the years, and that is one of the principal reasons why the products of the industry are so widely used and enjoyed.

If ever an industry has had to contend with a barrage of unfavorable and misleading publicity over an extended period, it has been the television industry since the end of March a year ago. If there were time, I could cite one instance after another where the public was utterly confused and misinformed about color television and when it would be available.

At frequent intervals all last year, people who wanted to make the headlines got up and solemnly announced that there would be "Color by Christmas." No wonder the public hesitated for a while in its buying of black-and-white sets, and certain companies resorted to drastic price cuts to move their merchandise.

Looking back, the remarkable thing is that the business fared as well as it did and that the industry had its second best year with sales at the factory level of about 6,750,000 receivers. Nothing I know of better demonstrates the inherent vitality of television and the value it offers.

With the passage of time, a better sense of proportion has developed. Demand for television

receivers from the public, who have separated the wheat from the chaff of last year's conversations, is resulting in a very gratifying volume of receiver business. Inventories are down to a good working basis, and it is even possible that you will see some price increases as compared with the reductions of late 1953.

There are several reasons for the tremendous appeal that television has for the American people. First of all, it opens up new vistas of entertainment and participation in the great events of the day that formerly were reserved for the rich or well-to-do. In the second place, through technological advances and improved production techniques, the cost of a television receiver has been brought down very rapidly. When I spoke to you five years ago, a receiver with a seven-inch picture tube providing 23 inches of viewing area cost \$200. Today our company and others are offering a 21-inch receiver with 250 square inches of picture area for \$200. In other words, the customer is getting over nine times as much picture for his dollar; and the quality of that picture and the sensitivity of the receiver are incomparably better than they were five years ago. In view of these facts, it is not surprising that countless families are beginning to replace their early sets with new, modern large-screen television receivers.

There are now more than 350 television stations on the air in the United States, and we can expect well over 100 new stations to begin operations this year. With more than 450 stations in service by the end of 1954, the demand for new receivers and replacements for obsolete, small-screen sets is bound to be heavy. If the general economy holds near current levels, and apparently the financial community is much more confident of that, it would not be surprising to see the industry sell more than 6,000,000 receivers—which would make 1954 one of the good volume years to date; and I am not unwilling to tell you that our own company is planning and expecting to increase its share of this total business.

### Status of Color Television

You are all probably wondering about the status of color television in view of the widespread publicity about it. In our judgment, there will be only a trickle of color television receivers on the market in 1954. These will be small screen sets only and will cost in the neighborhood of \$1,000 each. There will be only a few programs to be seen on these expensive sets, so we seriously question if there will be a great de-

demand for the ones that are available.

Present indications are there will be only a limited production of color sets in 1955 also, and it will probably be 1956 before real volume production can be attained. This achievement itself would depend on new inventions to make possible a color tube that could provide a large-screen picture which manufacturers would be able to produce in volume at reasonable cost and without excessive shrinkage.

Once color television is here on a large-scale basis, we believe that it will supplement black-and-white television—not replace it. Color sets and broadcasts will always be much more expensive than black-and-white, and many programs will be just as good in monochrome as in color. Millions of black-and-white sets will continue to be purchased and enjoyed by the public for years to come, so black-and-white television will be the backbone of your television business and ours for quite some time to come.

### Outlook for the Appliance Industry

While television has been so much in the public eye, and people generally are impressed with its rapid growth, notable progress has been made in the appliance field. Air conditioning in particular has been growing with a speed that can only be compared to the early days of television.

Seven years ago, the total room air-conditioner business was represented by the sale of 43,000 units with a retail value of \$20 million. That was a banner year at the time.

Last year, the public bought about 800,000 room air conditioners with a retail value of \$325,000,000.

That is a phenomenal growth. There is a good reason behind these sales figures. It is simply the fact that the American people want to be cool and comfortable in the summertime just as they want to be warm and comfortable in the wintertime. It is equally important to realize the consumers did not come to the room air-conditioner industry with this desire. It was created for them by superb salesmanship on the part of the appliance industry. They saw the advantages of air conditioning in newspapers and magazines and on television, and they heard it over the radio as they sweltered in their homes on hot summer nights. This was no accident. Nor was it an accident that they began to find themselves living in an air conditioned world outside their homes. They found it in their offices, their plants, in restaurants, in theatres, in hotels and motels. It became a new standard in the American way of life, no longer a luxury but an accepted and expected way of life.

The growth of this industry has not leveled off. Philco believes that consumer sales this year will show an increase of 50% or more and reach at least 1,250,000 room air conditioners with a retail value of \$450,000,000 and that by 1956 the sales at the consumer level will exceed 1,500,000 units and perhaps run well ahead of that total. Such a volume would represent a retail business of at least \$570,000,000, most of which would be financed through the credit institutions of the country.

Our own company, and I dare say others, are doing a number of things to even out the seasonal peaks and valleys of air conditioning and make it an all-year-round business.

For example, we have developed the first air conditioners that cool in hot weather and heat in cold weather—on Thermo Cool air conditioners.

These units were the first on the market to employ a reverse-cycle flow principle for the re-

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frigerant. They contain no heating coils but have a simple control which reverses the refrigerant in the system to utilize either its air-cooling or air-heating function. In many parts of the country where temperatures drop to freezing, these new room air conditioners offer year-round comfort in one unit for the first time.

Our company has interested thousands of dealers in going into air conditioning and doing a real merchandising and selling job. Any manufacturer who wants to make a real place for himself in the air-conditioning business must develop a loyal, well-trained group of dealers who will represent him and his product all over the country.

Sales to commercial buildings and other large users are being developed in the off-seasons to balance out the seasonal curve. Careful studies have been made of the cost of air conditioning a building with single-room units as compared with a central installation, and the differential is striking. For example, Philco supplied 840 room air conditioners for the Gulf Oil Building in Pittsburgh. To do this job with a central installation would have cost between \$1,500,000 and \$2,000,000 as compared with about \$332,000 for the room units—with the further advantage that the cooling capacity is not used if the occupant is away; and each person can suit himself as to temperature. Countless other office buildings will be air conditioned in the same way in coming years, and this volume added to that of private homes will contribute to the further dramatic growth and expansion of the air conditioning business.

#### Household Refrigerators

Household refrigerators are the keystone of the appliance industry. Despite the fact that more homes have refrigerators than any other major electric appliance, the sales of refrigerators continue to lead other appliances. I know you all appreciate what electric refrigerators mean in your home and your daily life. I know too that you must recognize the great improvements that have been made in refrigerators, such as fully-automatic operation including defrosting, to providing new features and added services. Then, too, it is as true today as ever that no family has as big a refrigerator as they really need.

In 1953, the industry sold 3,775,000 refrigerators with a retail value estimated at \$1,113,625,000.

Refrigerator sales in 1954 should be as great as last year thanks to the constant increase in the number of families, the replacement of present refrigerators as they gradually wear out, and the desire for the new products with the added capacity and features.

From a dollar-volume standpoint, the industry confidently expects to maintain that figure above the billion-dollar-a-year mark on the basis of current prices.

Home-freezer sales have constantly shown an increase in the postwar years. From unit sales of 210,000 in 1946 with a retail dollar value of \$80,000,000, they rose in 1953 to unit sales of 1,200,000 with a retail dollar value of \$480,000,000. Unquestionably, public acceptance of this way of preserving foods has been brought about by one of the best programs of consumer education in the history of the appliance industry.

The story of home freezing, its ease and convenience, has been told to the American consumer and it, too, has been accepted as a standard of our way of life. The best possible way to sell a freezer is to have the family use one in its own home for a month. At the end of that period, they will not know how they got along before without it.

Our forecast for the growth of

the home-freezer business is that it will do slightly better in total sales this year. With the development of sound food plan-selling operations and skilled merchandising by appliance specialty stores, there is good reason to believe that public acceptance of freezers will steadily increase each year.

One of the oldest and most important electric appliances is the electric range. The electric-range sales job is one of the great selling stories of America. The engineering that has brought this appliance to its present rate of perfection is an outstanding achievement. Last year 1,300,000 electric ranges were sold with a retail value of approximately \$333,000,000.

For this year, we expect an industry sales volume of about 1,430,000 units or 10% more than in 1953.

Home laundry equipment is another growing field. The trend here, of course, is sharply toward the automatic type of unit. In 1947, sales of automatic and semi-automatic washing machines totaled \$272,980,000, while conventional-type washers volume amounted to \$262,256,000. Last year, automatic washers increased to \$552,000,000 and outsold the conventional models by 2 to 1. This trend will undoubtedly continue and become more pronounced.

Automatic dryers have one of the most exciting potentials of any appliance. There are only 2,500,000 in use as compared with 44,000,000 wired homes in this country. More and more families are coming to put a dryer at the top of the list of things they want most, so the growth possibilities here are very substantial.

#### Conclusion

There is no mystery about what is required to be successful in appliance manufacturing and distribution any more than there is in banking. The basic job is to have a product or service that satisfies a want, and then through merchandising and sales activities get the story of that product to the public.

The appliance industry has been able to lighten the load of the American housewife by developing so many labor-saving types of equipment, and you gentlemen through the judicious use and administration of installment credit have made it possible for the families of the country to enjoy these things while they were earning the money to pay for them.

Between us, we have been privileged to help maintain our economy on a high level in the face of so many gloomy forecasts and predictions. Our jobs are not static ones. Active business does not come about simply from wishful thinking. For our part, we are anxious to do our full share to make 1954 another successful year, and I know that we can count on the splendid help and support that you have always given us.



## Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The backing and filling which has been going on in the government market is being interpreted as a technical development which markets have to go through every so often. Periods of indigestion have to be cleared up and this is what seems to be going on at the present time. The sharp upsurge in quotations took some issues up to levels that could not be immediately sustained.

However, it is believed that after a period of consolidation, there will be a renewal of the trend, which should take prices to better levels than have prevailed previously. Money market conditions will continue to be easy, with opinions strong in some quarters that there will be developments in the not distant future which will further ease the situation.

Institutional investors continue to be on the buy side of the longer end of the market even though there has been less of a tendency to step up and take offerings as prices advance. Competition from corporates and municipals appear to be having a minor influence upon Treasury issues.

#### Deflation Seen Continuing

Even though the concern about the business pictures does not appear to have increased very much as far as surface observations seem to portray it, there is, nevertheless, a growing apprehension in official circles about the deterioration in economic conditions. The spring pick-up is not expected to be up to seasonal requirements and this is not exactly making things as comfortable as many would like to have them, especially those that are identified with the party in power.

However, although there have not been any new indications yet as to what might be done to counteract the deflationary forces, it is the opinion of many money market specialists that measures will again be taken in the not too distant future along the monetary line of attack. The time factor becomes more important with each passing day and it is believed that there will not be too much more waiting before some rather vigorous action will be taken by the monetary authorities.

#### Further Credit Ease Expected

What the powers that be might do to further influence the credit picture is largely a matter of conjecture at this time, even though there are not too many courses of action open to them that have not been pretty well discussed pro and con. In addition, to try to master-mind what Federal might do to give greater ease to the money market, and when it might take place is a hazardous piece of business to say the least.

Nevertheless, it appears to be the opinion of some of the best informed money market specialists that, in spite of the recent cut in the prime bank rate, there should be a decrease in the reserve requirements of the commercial banks. It is pointed out that a further easing in credit is very desirable at this stage of the business cycle, even though such action might be interpreted by some as a sign of greater weakness in economic conditions. Nonetheless, it is felt that easier money market conditions would in a short period of time more than offset adverse psychological influences which might develop. Mental moods can be rather readily changed by the tangible evidence which gives proof that conditions have turned for the better.

#### Lower Reserve Requirements Mentioned

It is the opinion of those money market specialists which have been on the positive side of the situation that the best course of action at this time would be a reduction in reserve requirements of commercial banks. This would make funds available to these institutions which would be put to work either in government securities, corporates, municipal obligations, or mortgages. This would result in the creation of deposits which is purchasing power and this is a very desirable thing to have happen in a downward trend in the business cycle. This money that would be used to fight the forces of deflation should be made available at once, according to some money market followers, because this is the time when such action should be taken.

It was observed that there have been occasions in the past, one not so long ago, when reserve requirements were reduced rather sharply in order to help a faltering business picture. Conditions in the past were not as defensive as they are now, when the powers that be reduced reserve requirements in order to ease the money markets in an attempt to fight the forces of deflation.

#### Long-Term Issue Prospects

With further ease in the money market, as some seem to think will be the case, is there greater likelihood of a long-term bond being offered by the Treasury before the end of the current fiscal year? It appears to be the considered judgment of those that are qualified money market specialists, that a token or pilot issue, with a distant maturity, should be expected. There is, however, one point of qualification in these opinions and that is the observation that if enough municipal and revenue bonds come into the market to meet the demands of investors, such a long-term obligation would not be so necessary. In not too much time an answer to this question should be forthcoming.

## Cincinnati Municipal Bond Dealers Outing

CINCINNATI, Ohio—The Cincinnati Municipal Bond Dealers will hold their spring party on June 24 and 25.

## Ralph De Pasquale Back at His Desk

Ralph De Pasquale, President of General Investing Corp., 80 Wall St., New York City, has just returned from Oklahoma, where he inspected some of the properties of Seneca Oil Co.

## Renyx, Field Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Francis J. Landry has been added to the staff of Renyx, Field & Co., Inc., Carondelet Building.

## S. R. Livingstone Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Joseph Proctor has been added to the staff of S. R. Livingstone, Crouse & Co., Penobscot Building, members of the Detroit Stock Exchange.

## Now With Ratterman Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Charles A. Wolf has become affiliated with Ratterman & Co., 307 East Fourth Street.

## With Tellier & Co.

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Mass.—Gaston C. Majeune is now connected with Tellier & Co.

## Keller & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Gilbert Portnoy is now affiliated with Keller & Co., 53 State Street.

## With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Leslie G. Rathbun, Jr. has become associated with B. C. Christopher & Co., Board of Trade Building, members of the Midwest Stock Exchange. He was formerly with Looper & Co. in Joplin.

## James E. Johnston

James E. Johnston, limited partner in O'Brien & Williams, Montreal, passed away on March 21.

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## Mutual Funds

By ROBERT R. RICH

THE AXE-HOUGHTON weekly business index has declined during the last three weeks because of reductions in steel production and in miscellaneous and lumber loadings.

Temporary influences such as unfavorable weather may have exaggerated the decline but the main trend is moderately downward, Axe reports. The Axe-Houghton business index is down 8% from the second quarter 1953 peak, and the Federal Reserve index of industrial production, based on a wider variety of statistical data, is down 10%.

This seems like a substantial decline, Axe notes, but actually it has been comparatively mild and relatively slow. It is now seven months since the decline began; but seven months after the 1949 decline began the Federal Reserve index was down 17%, seven months after the 1937 decline began it was down 32%, and seven months after the 1929 decline began it was down 16%.

Through January, Axe comments, the production of durable goods had declined 11% and the production of nondurable goods 7%, according to the Federal Reserve indices. There has been no revival in the steel industry, as predicted. Automobile production has been comparatively steady, intermittent curtailment by some producers having been offset by the resumption of operations by others.

There has been little if any recovery in new passenger car registrations, allowing for seasonal variation, and dealers' stocks of new cars increased in January and February; but used car prices have advanced for the first time in quite a while.

There has been a moderate revival on the demand for one or two types of cotton print cloth, and prices are a trifle higher. The prices of rayon and acetate fabrics remain depressed, however, by the large stocks of raw material readily available and by the ample producing capacity available for both the raw materials and the finished products. Recent firmness in raw cotton is probably attributable more to the government's price support scheme than to improved demand. A reduction in cotton prices would indeed be advantageous to cotton producers in the long run, because of the continued price competition from synthetic fibres, here and abroad.

The Federal Reserve index of department store sales made a rather satisfactory showing in December and January, Axe states, and stocks of merchandise were reduced considerably during the last four months of 1953, allowing for seasonal variation. In

February, however, substantial declines were reported in chain and mail-order store sales with the notable exception of grocery chains.

The ratio of manufacturers' new orders to inventories has continued to decline and is, of course, at the lowest level in several years. Inventories have declined a little, but not enough to indicate, on the surface at least, any marked improvement in the inventory situation generally. Unfilled orders have shown a further decrease.

They are still fairly high in terms of the estimated total for all manufacturers, but in some individual industries such as railroad equipment and various types of metal castings, they are rapidly approaching zero.

Unfilled orders for paperboard, however, sometimes considered a fairly accurate general business barometer, advanced in February following a sharp decline in the previous four months.

The outstanding favorable development, the Survey remarks, of the last three weeks has been the statistics on new construction showing a remarkably well-sustained level of activity in the construction industry.

This applies to the F. W. Dodge figures on contracts awarded in 37 states which seem to show a near-record volume if we disregard the exceptional peaks during the last three years when huge atomic energy plant contracts were awarded by the Atomic Energy Commission.

It applies also to the number of home units started in February, on a seasonally adjusted basis. Construction costs are high, but the raw materials used in almost all types of construction are now freely available; so that, with general business activity declining, one would expect a tendency for prospective builders to hold back in the hope of obtaining lower costs.

The fact that no such tendency has appeared seems to indicate that the underlying demand for housing and other types of structures is exceptionally strong. A high percentage of engineering contracts being awarded is, of course, for various government projects, and it is possible that some of this activity represents the speeding up of various projects in an effort to offset the decline in general business, although it hardly seems likely that this would comprise more than a small part of the present demand for new construction.

WELLINGTON FUND, in a report transmitted to shareholders today and accompanied by its 97th quar-

terly dividend payment, listed net assets on March 1, last, at an all-time high of \$303,178,187, an increase of \$22,183,974 in the first two months of 1954. This was the largest increase for any two months' period in the Fund's 25-year history.

The Fund is combining the March and September dividend notices with the reports for those periods to reduce printing and mailing expenses to its more than 100,000 shareholders.

Assets were invested on March 1, 1954, as follows: 60% in common stock, 26% in bonds and preferreds; and 14% in Governments and cash.

Walter L. Morgan, President, gave this summary of investment changes: "Since the beginning of the year, the Fund has reduced some low yielding stable income issues, principally in the food, insurance and electric utility common stocks. Some selective sales were made in building material stocks, which appeared amply priced on near-term prospects. Principal common stock increases were in oil and natural gas stocks for their long-term prospects, and in selected issues in the automobile, steel and metal industries. These issues provide good yields from current dividends well covered by present earnings."

The Wellington president had this to say of the business picture: "Business is gradually adjusting itself to a more normal basis after reaching a rearmament peak last year. The Government policy of tax reduction and ample credit should help stimulate consumer and business spending and public works. Government policies and the orderly nature of the business adjustment seem to have increased investment confidence, reflected in the rise in bond and stock prices since the first of the year."

### PERSONAL PROGRESS

ANNOUNCEMENT was made of the election of Wm. Gage Brady, Jr. as chairman of the board of Hugh W. Long and Company, Incorporated, sponsor of Fundamental Investors, Inc., Diversified Investment Fund, Inc., Manhattan Bond Fund, Inc., and Diversified Growth Stock Fund, Inc., mutual funds located in Elizabeth, New Jersey. Mr. Brady is former president and chairman of the National City Bank of New York.

In his capacity as chairman of the sponsor organization, as well as of the funds, Mr. Brady will again draw upon his extensive experience as senior policy maker for a large financial institution.

The funds of which he is now chairman have more than \$250,000,000 in assets and serve over 75,000 shareholders resident in every state of the union.

THE APPOINTMENT of John W. Stephens of Dallas, Texas as wholesale representative in Arkansas, Louisiana, Oklahoma and Texas for the National Securities Series of mutual funds has been announced by Henry J. Simonson, Jr., president of National Securities & Research Corp., sponsors and managers of the funds.

Mr. Stephens formerly was senior partner of Moore & Stephens, a Dallas investment firm, and later served as an investment counsellor and sales and security analyst for the Sullivan Investment Co. More recently he had specialized in the wholesale dis-

tribution of mutual funds in the Southwest.

His headquarters are in Dallas at 1301 Fidelity Union Life Building.

### CLOSED-END NEWS

FRANCIS F. RANDOLPH, Chairman of the Board and President of Tri-Continental Corp., told shareholders at the company's annual meeting that even though the trend of business activity may continue downward for some months, 1954 as a whole is likely to be a comparatively good business year.

In a statement made Tuesday, March 30, in Baltimore, he said that with the decline in industrial production very nearly equal to that of 1948-49 and shared by practically all groups of industries, the business contraction has clearly taken on a general rather than a piece-meal character.

The current decline in production, he said, appears to be quite normal in its rapidity and amount, and possesses characteristics reflecting conditions in the national economy; namely, weakness in textile and consumer hard goods industries, and smaller declines in products used in armaments and capital investment. But business and the consuming public are generally in good shape financially, Mr. Randolph pointed out, and the government is well prepared to exert its influence against recession.

Mr. Randolph told shareholders of the company that the shrinkage in business, seasonal credit factors and reserve operations (including a reduction in the rediscount rate) have kept money markets persistently easy and bond prices have consequently been strong. He pointed out that these and other influences, including new sources of investment demand, contributed to rising stock prices through most of the first quarter.

Shareholders at the meeting reelected Henry C. Breck and W. Paul Stillman to the board of directors and approved all proposals up for consideration, including an amendment to the corporation's charter to create a new class of \$50 preferred stock. The new preferred was created by, in effect, splitting in half 500,000 authorized but unissued shares of the present \$5 preferred stock.

The shareholders' approval makes possible a refunding of the investment company's outstanding \$5 preferred stock at an appropriate time, if conditions warrant, without the delay and expense of calling a special meeting for that specific purpose. There are no immediate plans for such a refunding, according to Mr. Randolph, since the directors of the company are not convinced that the time for such a move has yet arrived.

### MUTUAL INVESTMENT FUNDS

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### CAPITAL GAINS DISTRIBUTIONS

Capital gains distributions, per share, will be paid April 26, 1954 to shareholders of record April 9, 1954, in cash or shares, as follows:

Stock Series	.....	\$0.06
Income Series	.....	.06
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Balanced Series	.....	.10
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Continued from page 7

## Defects of Our Irredeemable Currency System

a similar manner in the case of *Brisco v. Bank of Kentucky* (11 Peters, 257; 1837).

In the case of *Juilliard v. Greenman* (110 U. S., 447-448; 1884), the Court held that "Congress has the power to issue the obligations of the United States in such form, and to impress upon them such qualities as currency for the purchase of merchandise and the payment of debts, as accord with the usage of sovereign governments. . . . The exercise of this power . . . is included in the power expressly granted to borrow money on the credit of the United States." In a concurring opinion in the *Legal Tender Cases* (12 Wallace, 560; 1871), Mr. Justice Bradley stated that the power of our Federal Government to issue bills of credit is . . . "incidental to the power of borrowing money."

Inasmuch as Federal Reserve notes, under the Federal Reserve Act, constitute a claim against the United States Treasury, in the event that the issuing Federal Reserve banks fail to redeem them, it is correct under our court decisions to classify them also as bills of credit. In the case of *Veazie Bank v. Fenno* (8 Wall., 549; 1869), the Court stated that bank notes issued on the credit of the government "may be properly described as bills of credit."

If the bills of credit, issued by the Treasury and Federal Reserve banks are not to be redeemed, does such action come within an expressed provision of the Constitution?

Said Chief Justice Chase in the case of *Bank v. Supervisors* (7 Wallace, 31; 1869): "The dollar note is an engagement to pay a dollar, and the dollar intended is the coined dollar of the United States. . . ." In the case of *Bronson v. Rodes* (7 Wallace, 251; 1869), he said: "The note dollar was a promise to pay a coined dollar."

Said Mr. Justice Strong in the *Legal Tender Cases* (12 Wallace, 553; 1871): "The legal tender acts do not attempt to make paper a standard of value. We do not rest their validity upon the assertion that their emission is coinage . . . ; nor do we assert that Congress may make anything which has no value money. What we do assert is, that Congress has power to enact that the government's promises to pay money shall be, for the time being, equivalent in value to the representative of value determined by the coinage acts, or to multiples thereof." [Italics supplied.]

Said Mr. Justice Bradley in a concurring opinion in the *Legal Tender Cases* (12 Wallace, 560; 1871): "It [the bill of credit] is not an attempt to coin money out of a valueless material, like the coinage of leather, or ivory, or kowrie shells. It is a pledge of the national credit. It is a promise by the government to pay dollars; it is not an attempt to make dollars. The standard of value is not changed. The government simply demands that its credit shall be accepted and received by public and private creditors during the pending exigency. . . ."

"No one supposes," said he, pp. 561-562, "that these government certificates are never to be paid—that the day of specie payments is never to return. And it matters not in what form they are issued. . . . Through whatever changes they pass, their ultimate destiny is to be paid." [Italic in the original.]

Apparently no decision of the United States Supreme Court has

overruled the conclusion reached by Mr. Justice Strong in the majority opinion or by Mr. Justice Bradley in his concurring opinion in that case.

Today, as during recent years, the widespread implication has been that our irredeemable currency is not to be redeemed—that we have passed permanently into an era of irredeemable currency. Aside from the fact that all nations which have experimented with irredeemable currencies have always returned to redeemability, either to escape the well-known serious consequences inherent in irredeemable currencies or as a consequence of reaching a state of chaos, there are these further considerations, apparently largely ignored today, that the Constitution of the United States does not authorize permanent irredeemability, and that every day of delay in resuming redemption constitutes a violation of the intent of the framers of our Constitution who were well aware of the evils inherent in an irredeemable currency.

Mr. Justice Bradley, in the *Legal Tender Cases*, referred, p. 562, to delay by the legislative power to provide for redemption of its bills of credit, after the exigency which gave rise to their issuance had passed, as "the abuse of a power."

In the case of *Perry v. United States* (294 U. S., 354; 1935), the Court said that ". . . the Government is not at liberty to alter or repudiate its obligations. . . ." Nevertheless, that is in practice what it is doing while it refuses to redeem its bills of credit issued in the form of money.

The dissenting Justices in the case of *Perry v. United States*—Justices Van Devanter, Sutherland, and Butler—went to the heart of the matter when they said of the issuance and redemption of the irredeemable United States notes that "The thing actually done was the issuance of bills endowed with the quality of legal tender in order to carry on until the United States could find it possible to meet their obligations in standard coin. This they accomplished in 1879. The purpose was to meet honorable obligations—not to repudiate them." [Italics supplied.]

The Government of the United States, since early 1933 and despite its more than adequate supply of gold for purposes of redemption, continues the practice of non-redemption—except in the case of foreign central banks and governments. This procedure raises the question of "the abuse of a power" referred to by Mr. Justice Bradley. Particularly pertinent, in the light of our Government's delay in providing for the redemption of our irredeemable currency, is the following statement made by the three dissenting Justices in the case of *Perry v. United States* (294 U. S., 362; 1935): "To let oneself slide down the easy slope offered by the course of events and to dull one's mind against the extent of the danger . . . that is precisely to fail in one's obligation of responsibility."

### V Advantages Obtainable From a Redeemable Currency

#### A. Domestically

(1) We would have the best variety of monetary system known to man. Of course we would still have with us the inescapable problems of credit management. But our varieties of money could then perform all the functions

which a good money system is able to perform.

(2) Since all varieties of dollars would be freely interchangeable, people could choose the type that would meet their needs best. Convertibility and redeemability of non-gold currency increase confidence in such currency and invite a wider use of it since to the quality of convenience is added that of convertibility into a type of money the value of which no one may effectively question.

(3) A valuable property right would be returned to our people. This protective device is practically a guarantee that human freedom will be preserved and that Socialism and government totalitarianism could not be inflicted on our people except by the use of military force.

(4) Our people would once more have power, to the extent they possess money or bank deposits, or both, to exercise direct control over the government's use of the people's purse. Human freedom and power of the people to control the government's use of the public purse are inseparable.

(5) Discrimination against our people and in favor of foreign central banks would be eliminated.

(6) Special privilege without corresponding responsibility, granted our Treasury and Federal Reserve banks, would be terminated.

(7) Our people would have the advantages which normally come with the resumption of redemption. These were well illustrated by our experiences when, and shortly after, resumption was instituted on Jan. 2, 1879: There was a prompt revival of confidence; business quickly began to expand; there was a sympathetic expansion in the volume of money and bank deposits drawn into use; gold flowed in from abroad; the demand for government securities, domestically and from abroad, was so heavy that the Treasury staff, working day and night, could not keep up with the orders; the Treasury was able to fund and refund its matured or callable debt at markedly lower rates of interest.

Resumption of redemption provides greater incentive for more saving, more investment, and greater production, and it invites more and safer prosperity than is the case under an irredeemable currency.

(8) A redeemable currency makes possible and invites a good market for government securities outside banks.

(9) A "free market for gold would exist at a guaranteed price.

(10) The legal conflicts in our currency structure could be eliminated. The proper and important categories required by a good monetary system, but now hopelessly confused, could be restored and made to function for the benefit of our people. These categories are (a) legal tender money; (b) lawful money (for specified purposes, as for bank reserves); money receivable for specified purposes—the category into which Federal Reserve notes properly belong.

(11) Our people would have the type and quality of money contemplated by the framers of our Constitution.

(12) Our people would be freed of the prospects of trouble inherent in an irredeemable currency. But they would not be insured against the fluctuations in business caused by improper uses of credit and by other forces. No type of currency can do that. The functions of a good currency are not of that nature. A good currency can no more prevent economic wrecks than the best known rails on a railroad can prevent wrecks of the rolling stock by fallible people. The important consideration is that a redeemable money, unlike an irredeemable currency, is not a causal factor in

economic disturbances and catastrophes.

### B. In International Relations

The advantages obtainable from a redeemable currency as they affect our international relations would be the following:

(1) All holders of dollars would be given the same freedom and rights in respect to redeemability thus lifting, in so far as our system is involved, existing penalizing influences on private enterprise.

(2) Multiple quotations of our non-gold dollars, and the disadvantages arising from such a situation, should be expected to disappear.

(3) Inasmuch as non-gold currency would be readily convertible into gold at face value, there should be an increase in the tendency to use the more convenient non-gold dollars, less pressure to draw gold from us, and a stronger tendency for gold to flow to us for the purpose of obtaining non-gold dollars with which to purchase our goods, services, and securities.

(4) Freedom for private enterprise to conduct foreign trade and to make foreign investments would be restored in so far as our monetary system can affect the situation. Trade, investment, and travel in the area of private enterprise should be expected to revive and to expand.

(5) Return by other nations to redeemable currency should be hastened because of our contribution to freedom of trade, investment, and use of our currency, and because of what should be obvious as to the advantages of our people, engaged in international trade, investment, and travel, as compared with the disadvantages experienced by the people of other countries compelled to labor under the burdens and frustrations of irredeemable currencies and the related exchange controls and government interferences.

### VI

#### Conditions Necessary to Permit the Establishment of a Redeemable Currency

(1) Our nation must have a sufficient supply of gold, in the light of experience, to support redemption safely in accordance with the known and expected practices of the holders of non-gold currency. As of Jan. 27-31, 1954, the ratio of our gold stock to non-gold money and deposits was 9.73%. The average of the yearly ratios for 1915-1932, pre-1934 data, was 8.6%; the range was from 6.7 to 10.9%.

(2) No nation with an adequate supply of gold to support redeemability need consult with other nations as to whether or when it should institute redeemability. The institution of a monetary system is an attribute of national sovereignty. Only nations which lack an adequate supply of gold to support redeemability need foreign aid in the establishment of a redeemable currency; and the aid needed is a loan of gold, or a loan involving the right to obtain gold if needed, by the banks of nations able and disposed to make such loans.

### VII

#### Some Considerations in Respect to Common Arguments for Delay in Making Our Currency Redeemable

(1) If a nation has an adequate supply of gold to support redeemability, there is no valid argument for delay in assuming the obligations involved. Failure to redeem bills of credit is proof of fiscal or moral bankruptcy. It is a case of "the abuse of a power" by a government.

(2) The frequently-stated contention that no nation can return to a gold standard alone, or that certain conditions must be met in addition to possessing an adequate supply of gold, has no validity and

cannot be sustained by supporting evidence.

(3) Delay in the institution of redeemability in the United States is an invitation to serious trouble. In 1941, the ratio of our gold stock to non-gold money and deposits was 24.6%—the highest in our history. As of Jan. 27-31, 1954, the ratio was 9.73%.

In 1920, it was 6.7%, and we suffered a sharp tightening of credit and fall of prices. But at that time the surplus reserves of the Federal Reserve banks were practically exhausted. Indeed eight of the Federal Reserve banks paid tax penalties that year for deficiencies in reserves. But even under those conditions there was no thought of suspending redemption for the reason that it was not necessary. In 1928, when the ratio was down to 7.2%, and surplus reserves of the Federal Reserve banks were relatively large, we did not regard our reserve ratio as being low; such concern as existed was in respect to whether there was too much credit expansion. In 1879, we resumed redemption safely on a ratio of 3.5% and under the handicaps of scattered bank reserves.

Today, we have both a relatively high ratio of gold to non-gold money and bank deposits, and relatively large surplus reserves in the Federal Reserve banks. As of Jan. 27, 1954, this surplus of reserves amounted to \$8,651,641,000. At the reserve ratios then prevailing—25% for the Reserve banks and an average of 14% for member banks—the surplus reserves of the Federal Reserve banks on that date would have supported some \$242 billion of bank deposits beyond the approximately \$195 billion outstanding (as of Nov. 25, 1953).

The issue involved here is one of adequate gold stock in the light of experience and of the relative size of the surplus reserves of our Federal Reserve banks. If 3% of our gold stock were drawn into circulation domestically—and that is as much as we could reasonably expect in the light of the evidence—that would involve only \$660,000,000 of the \$22,006,000,000 of gold stock as of Jan. 27, 1954. That would still make it possible for the surplus reserves in the Federal Reserve banks—reduced to \$7,919,641,000—to support an additional supply of bank deposits to the extent of approximately \$224 billion. Furthermore, since resumption of redemption by a nation tends to draw gold to it, the addition which should be expected as a consequence of resumption may more than offset normal withdrawals for domestic use.

The evidence is overwhelmingly clear that we could easily and safely resume redemption under present conditions.

(4) The widespread belief that the institution of redemption would invite hoarding of gold is not based on fact; it is a manifestation of the psychology of people living under the fears generated by an irredeemable currency. Redeemability is an antidote to hoarding. For example, when redemption was instituted on Jan. 2, 1879, \$135,000 in greenbacks were presented for redemption, \$400,000 in gold were exchanged for paper money. Even when our people were going through the distress involved in the economic recession of 1929-1932, the lowest percentage ever reached in our people's demand for gold was in April and May, 1931. The percentage of our gold stock in circulation during those months was 1.44. People wanted the more convenient non-gold currency, not gold; and that was because their non-gold currency was redeemable.

Should redemption of our currency be instituted, past experience suggests that we should expect our people to draw from

Continued on page 38

Continued from page 37

## Defects of Our Irredeemable Currency System

1.5 to 3% of our gold stock into circulation. From July, 1923, to April, 1932, inclusive, the 3% figure was exceeded only three times—3.03% in December, 1923; 4.81 in December, 1926; 4.30 in April, 1927. From May, 1932, to February, 1933, inclusive—a most abnormal period—the range of monthly percentages was from 3.58 to 6.32, the latter occurring in February, 1933. That high percentage arose from a widespread belief that redemption was to be suspended and our gold dollar devalued.

(5) The widespread contention that our gold standard and redeemable currency were important causal factors in the economic recession beginning in October, 1929, does not rest upon fact. The ratio of our gold stock to non-gold money and deposits in 1929 was 7.4 as compared with 7.2 in 1928. Our gold stock, less that in circulation, in October, 1929 (\$4,094,000,000, average daily figure for month) was only \$270,000,000 below the highest preceding level ever attained (\$4,364,000,000 in May, 1927); it was at the highest level of any month in 1929; and it was higher than during any month in 1928. Every month, January to October, 1929, inclusive, there was a net importation of gold. The percentage of Federal Reserve bank reserves to their Federal Reserve notes and deposits was at a relatively high level—73.3%. The percentage of the nation's gold stock in circulation was 1.82, the low point for the year 1929.

(6) The common contention that a gold standard, with redeemable currency, can operate only under favorable conditions is a case of attempting to hold it responsible for the consequences of man's abuses in the use of credit resting upon gold and redeemable money. Irredeemable currency is man's monument attesting to that abuse. Such currency tends to expand and to grow with man's abuse of credit and to carry the abusers to their destruction.

A gold standard and a redeemable currency never injured a person or a nation. Trouble in the areas of money, prices, costs, and profits arises from other sources. Gold is a self-liquidating money. Its ability to function does not rest upon the value of the promise of any man. It effects final payment in a money of universal acceptability.

It is for these reasons, among others, that a thorough-going gold standard and a redeemable currency should be instituted as quickly as Congress can act. And redemption should be at the statutory rate of \$35 per fine ounce, which has prevailed since Jan. 31, 1934, since maintenance of fixity in the weight and fineness of the standard monetary unit is a basic requisite of a good monetary standard and system.

The Gold Redemption Act of 1954, S. 2332, is in principle designed to accomplish these most desirable and important purposes and, as a consequence, should be enacted in order that our people may have the benefits of a sound and honest money on which to build and to prosper.

### Howard, Weil Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Percy L. Laurence, Jr. is now affiliated with Howard, Weil, Labouisse, Friedrichs & Company, 222 Carondelet St., members of the New Orleans and Midwest Stock Exchanges.

Continued from page 5

## The State of Trade and Industry

same inventory that looked very big in March might look pitifully small in June—if steel production seems threatened by a strike.

United States vehicle manufacture edged downward about 4% last week, following the 21-week high of 144,698 vehicles reached during March 15-20, according to "Ward's Automotive Reports."

The dip saw only six car makers and five truck builders at higher levels than in the preceding week as the industry eased up slightly before the month-end drive which should put both March car and truck counts almost 18% above February.

The weekly publication estimated that final March passenger car and truck totals will hit 524,000 and 101,000 units, respectively, compared to 443,225 and 85,916 a month ago. Three extra work days account for most of the upsurge, since many of the producers are holding to on-again, off-again schedules in order to relieve field stocks.

Nevertheless, states this statistical agency, March volume is equivalent to 6,300,000 cars and 1,200,000 trucks, annually despite four-day programs at some plants and complete shutdowns at other factories for inventory adjustments.

To date in 1954 cumulative United States car and truck production is running almost 9% under the same 1953 period, with 1,629,246 vehicles assembled against 1,796,794 a year ago.

### Steel Output Expected to Ease Slightly in Latest Week

First faint signs of an upturn in steel production are evident, says "Steel," the weekly magazine of metalworking.

Although steel ingot production continued to decline last week, there were more ups and downs in order placement. That's noteworthy, for the new orders placed now determine the ingot rate in the next month. The present ingot rate reflects orders booked several weeks ago, and then ordering was shrinking, states this trade weekly.

Ordering is not brisk, but at least there are evidences of improvement. As sluggish as demand for steel plate has been thus far this year, some producers in looking back over the last two or three weeks detect a mild uptrend. It is so slight it is scarcely discernible in day-to-day trading but it's apparent when viewed from a greater distance, declares this trade magazine.

The return of seasonal aspects to the steel business is accounting for some of the improvement in ordering and among the products showing a seasonal upturn are merchant wire goods. One producer of these revealed a "minor landslide" in orders. As a result, this company is needing three weeks to make delivery. A month ago orders were being filled almost immediately. Sales of manufacturers' wire do not show the improvement of merchant wire. However, sales of manufacturers' wire in the Chicago area are running between 10 and 15% over January and February, and April looks promising for further improvement, continues "Steel."

Another suggestion that the decline in steel demand is halting is the improved undertone in the scrap market, concludes "Steel." One other industry sensitive to the changes in industrial activity is noticing a slight improvement in business. That is the bolt and nut industry. It was one of the first to feel the present business decline.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 68.0% of capacity for the week beginning March 29, 1954, equivalent to 1,621,000 tons of ingots and steel for castings, as against 1,624,000 tons and 68.1% (actual) a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 70.7% and production 1,686,000 tons. A year ago the actual weekly production was placed at 2,190,000 tons or 97.1%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

### Electric Output Trends Lower in Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 27, 1954, was estimated at 8,491,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 81,000,000 kwh. below the preceding week, but an increase of 416,000,000 kwh., or 5.2% over the comparable 1953 week and 1,228,000,000 kwh., over the like week in 1952.

### Car Loadings Show Slight Gain Over Previous Week

Loadings of revenue freight for the week ended March 20, 1954, increased 76 cars, or .01% above the preceding week, according to the Association of American Railroads.

Loadings totaled 609,959 cars, a decrease of 91,106 cars or 13% below the corresponding 1953 week, and a decrease of 110,050 cars or 15.3% below the corresponding week in 1952.

### U. S. Auto Output Dips 4% Following a 21-Week Peak

Automotive production for the latest week dipped about 4% following a 21-week peak reached during the March 15-20 period, according to "Ward's Automotive Reports."

The industry, "Ward's" states, assembled an estimated 116,782 cars last week, compared with 112,097 (revised) in the previous week. A year ago the weekly production was 139,216.

Last week, the agency reported there were 22,133 trucks made in this country, as against 22,601 (revised) in the previous week and 31,594 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 8,144 cars and 2,039 trucks last week, against 8,198 cars and 1,999 trucks in the preceding week and 7,940 cars and 2,939 trucks in the comparable 1953 week.

### Business Failures Rise Above Preceding Week

Commercial and industrial failures increased to 277 in the week ended March 25, from 243 in the preceding week, Dun &

Bradstreet, Inc., reports. This upswing lifted casualties to a level equalled in February this year but not exceeded since May, 1941. Considerably more business failed than the 188 in the comparable week a year ago or the 164 in 1952. However, mortality continued 21% below the prewar toll of 350 in the similar week of 1939.

### Wholesale Food Price Index Attains Second Highest Point on Record

Continuing its upward trend, the Dun & Bradstreet wholesale food price index advanced sharply last week to the highest level in almost six years. The index went from \$7.27 last week to \$7.34 on March 23. This topped the previous peak of \$7.31 on Feb. 20, 1951, and it was exceeded only by the all-time high of \$7.36 recorded on July 13, 1948. The current number reflects a rise of 14.5% over a year ago when it stood at \$6.41.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

### Wholesale Commodity Price Index Again Shows Mild Gains

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued to edge mildly upward last week to reach the highest level since mid-September. The March 23 index at 278.57, compared with 278.52 a week earlier and with 282.06 on the like date a year ago.

Grain markets were somewhat easier with prices fluctuating irregularly as the trade awaited the Government report on farmer's intentions to plant. The report, issued on Friday, two week ago, pointed to a corn acreage this year of 81,037,000, or only 366,000 acres below last year. It also indicated that there would be ample supplies of wheat and other feed grains at the end of the current crop year.

Wheat prices declined rather sharply the past week, influenced by the generally favorable outlook for winter wheat and the huge quantities of wheat under Government control estimated at about 970,000,000 bushels.

Oats and rye moved in narrow limits and showed little change for the week. Trading in grain and soybean futures on the Chicago Board of Trade declined last week to a daily average of about 43,000,000 bushels, from 62,000,000 the previous week and compared with 34,200,000 in the same week last year.

Following irregular movements early in the period, coffee resumed its climb to the highest levels in history, in the wake of another round of price advances is roasted coffee, amounting to five cents a pound.

The latest rise reflected active demand for spot supplies, the continued unbalanced supply-demand situation and the delay in arrival of green coffee from producing countries by the wildcat strike of dock workers.

Although moving in a narrow range, spot cotton prices continued to trend mildly upward. Helping to sustain values were domestic and foreign price-fixing, lessened prospects of a flexible price support program and continued dryness in the southwestern portions of the belt.

### Trade Volume Spurred by Easter Buying and Sales Promotions

Despite inclement weather in many parts of the nation, shoppers increased their spending slightly in the period ended on Wednesday of last week. The approach of Easter and many reduced-price promotions were generally credited with the improvement in buying.

However, most retailers and particularly apparel merchants had smaller sales figures than a year ago when Easter shopping was nearing its peak.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3% below to 1% above the level of a year ago. Regional estimates varied from the levels of a year ago by the following percentages: New England —4 to 0; East and Midwest —3 to +1; South and Southwest —2 to +2; Northwest and Pacific Coast —1 to +3.

The most noticeable gains in the demand for apparel were in the South and Southwest which had been hampered by unseasonable weather. Although shopper's interest was perceptibly below the year-ago level, many merchants looked for a near-record sales volume for the entire Easter shopping season. Among the most frequently purchased items were women's coats, men's suits and children's outerwear. There continued to be some hesitancy in the buying of luggage, cosmetics and other items bearing excise taxes.

Shoppers for household goods displayed noticeable price consciousness last week and continued to favor stores offering sizable price-discounts. Among the most favored items were infra-red broilers, small TV sets, decorating materials and hardware.

Trading activity in many wholesale markets quickened seasonally in the period ended on Wednesday of last week.

However, the total dollar value of wholesale orders remained somewhat below the high level of a year ago.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended March 20, 1954, decreased 13% below the level of the preceding week. In the previous week, March 13, 1954, a decrease of 8% was reported from that of the similar week in 1953. For the four weeks ended March 20, 1954, a decline of 9% was reported. For the period \*Jan. 1 to March 20, 1954, department store sales registered a decrease of 4% below the corresponding period of 1953.

Retail trade in New York last week dropped below the level of the like week in 1953. Heavy rains on Thursday of the past week cut sales volume and the fact that Easter this year is two weeks later was also a factor to be considered.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended March 20, 1954, registered a decline of 11% below the like period of last year. In the preceding week, March 13, 1954, a decline of 7% (revised) was reported from that of the similar week of 1953, while for the four weeks ended March 20, 1954, decrease of 6% was reported. For the period \*Jan. 1 to March 20, 1954, a decline of 2% was registered under that of the 1953 period.

\*Comparison period begins with the Jan. 4-9 week in 1954 and with the Jan. 5-10 week in 1953.

# Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

	Latest Week	Previous Week	Month Ago	Year Ago
<b>AMERICAN IRON AND STEEL INSTITUTE:</b>				
Indicated steel operations (percent of capacity).....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Equivalent to—				
Steel ingots and castings (net tons).....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
<b>AMERICAN PETROLEUM INSTITUTE:</b>				
Crude oil and condensate output—daily average (bbls. of 42 gallons each).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Crude runs to stills—daily average (bbls.).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Gasoline output (bbls.).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Kerosene output (bbls.).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Distillate fuel oil output (bbls.).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Residual fuel oil output (bbls.).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Stocks at refineries, bulk terminals, in transit, in pipe lines—				
Finished and unfinished gasoline (bbls.) at.....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Kerosene (bbls.) at.....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Distillate fuel oil (bbls.) at.....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Residual fuel oil (bbls.) at.....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
<b>ASSOCIATION OF AMERICAN RAILROADS:</b>				
Revenue freight loaded (number of cars).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Revenue freight received from connections (no. of cars).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
<b>CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:</b>				
Total U. S. construction.....	Mar. 25	Mar. 25	Mar. 25	Mar. 25
Private construction.....	Mar. 25	Mar. 25	Mar. 25	Mar. 25
Public construction.....	Mar. 25	Mar. 25	Mar. 25	Mar. 25
State and municipal.....	Mar. 25	Mar. 25	Mar. 25	Mar. 25
Federal.....	Mar. 25	Mar. 25	Mar. 25	Mar. 25
<b>COAL OUTPUT (U. S. BUREAU OF MINES):</b>				
Bituminous coal and lignite (tons).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Pennsylvania anthracite (tons).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
<b>DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100</b>	Mar. 20	Mar. 20	Mar. 20	Mar. 20
<b>EDISON ELECTRIC INSTITUTE:</b>				
Electric output (in 000 kwh.).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
<b>FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN &amp; BRADSTREET, INC.</b>	Mar. 25	Mar. 25	Mar. 25	Mar. 25
<b>IRON AGE COMPOSITE PRICES:</b>				
Finished steel (per lb.).....	Mar. 23	Mar. 23	Mar. 23	Mar. 23
Pig iron (per gross ton).....	Mar. 23	Mar. 23	Mar. 23	Mar. 23
Scrap steel (per gross ton).....	Mar. 23	Mar. 23	Mar. 23	Mar. 23
<b>METAL PRICES (E. &amp; M. J. QUOTATIONS):</b>				
Electrolytic copper.....	Mar. 24	Mar. 24	Mar. 24	Mar. 24
Domestic refinery at.....	Mar. 24	Mar. 24	Mar. 24	Mar. 24
Export refinery at.....	Mar. 24	Mar. 24	Mar. 24	Mar. 24
Strains tin (New York) at.....	Mar. 24	Mar. 24	Mar. 24	Mar. 24
Lead (New York) at.....	Mar. 24	Mar. 24	Mar. 24	Mar. 24
Lead (St. Louis) at.....	Mar. 24	Mar. 24	Mar. 24	Mar. 24
Zinc (East St. Louis) at.....	Mar. 24	Mar. 24	Mar. 24	Mar. 24
<b>MOODY'S BOND PRICES DAILY AVERAGES:</b>				
U. S. Government Bonds.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Average corporate.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Aaa.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Aa.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
A.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Baa.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Railroad Group.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Public Utilities Group.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Industrials Group.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
<b>MOODY'S BOND YIELD DAILY AVERAGES:</b>				
U. S. Government Bonds.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Average corporate.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Aaa.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Aa.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
A.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Baa.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Railroad Group.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Public Utilities Group.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
Industrials Group.....	Mar. 30	Mar. 30	Mar. 30	Mar. 30
<b>MOODY'S COMMODITY INDEX</b>				
<b>NATIONAL PAPERBOARD ASSOCIATION:</b>				
Orders received (tons).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Production (tons).....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Percentage of activity.....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
Unfilled orders (tons) at end of period.....	Mar. 20	Mar. 20	Mar. 20	Mar. 20
<b>OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100</b>	Mar. 26	Mar. 26	Mar. 26	Mar. 26
<b>STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:</b>				
Odd-lot sales by dealers (customers' purchases)†.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Number of shares.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Dollar value.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Odd-lot purchases by dealers (customers' sales)†.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Number of shares—Total sales.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Customers' short sales.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Customers' other sales.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Dollar value.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Round-lot sales by dealers.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Number of shares—Total sales.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Short sales.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Other sales.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Round-lot purchases by dealers.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
Number of shares.....	Mar. 13	Mar. 13	Mar. 13	Mar. 13
<b>TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):</b>				
Total Round-lot sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Short sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Other sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Total sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
<b>ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:</b>				
Transactions of specialists in stocks in which registered—				
Total purchases.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Short sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Other sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Total sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Other transactions initiated on the floor—				
Total purchases.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Short sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Other sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Total sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Other transactions initiated off the floor—				
Total purchases.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Short sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Other sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Total sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Total round-lot transactions for account of members.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Total purchases.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Short sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Other sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
Total sales.....	Mar. 6	Mar. 6	Mar. 6	Mar. 6
<b>WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):</b>				
Commodity Group.....	Mar. 23	Mar. 23	Mar. 23	Mar. 23
All commodities.....	Mar. 23	Mar. 23	Mar. 23	Mar. 23
Farm products.....	Mar. 23	Mar. 23	Mar. 23	Mar. 23
Processed foods.....	Mar. 23	Mar. 23	Mar. 23	Mar. 23
Meats.....	Mar. 23	Mar. 23	Mar. 23	Mar. 23
All commodities other than farm and foods.....	Mar. 23	Mar. 23	Mar. 23	Mar. 23
<b>BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of February (in thousands)</b>	\$141,933,000	\$168,596,000	\$129,163,000	
<b>BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of January (millions of dollars):</b>				
Manufacturing.....	\$46,412	\$46,722	\$44,330	
Wholesale.....	11,757	11,687	11,282	
Retail.....	22,572	22,661	21,518	
Total.....	\$80,741	\$81,070	\$77,130	
<b>CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of January (000's omitted)</b>	\$689,500	\$1,715,200	\$548,100	
<b>COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Feb. 28 (000's omitted)</b>	\$701,000	\$620,000	\$511,000	
<b>COTTON GINNING (DEPT. OF COMMERCE)—As reported March 22</b>	16,324,248		14,954,575	
<b>DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average 100—Month of February:</b>				
Sales (average monthly), unadjusted.....	75	79	73	
Sales (average daily), unadjusted.....	83	81	81	
Sales (average daily), seasonally adjusted.....	102	101	100	
Stocks, unadjusted.....	104	98	109	
Stocks, seasonally adjusted.....	107	111	112	
<b>LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of January:</b>				
Death benefits.....	\$172,796,000	\$191,711,000	\$169,068,000	
Matured endowments.....	50,744,000	49,345,000	42,909,000	
Disability payments.....	10,242,000	9,495,000	9,851,000	
Annuity payments.....	49,115,000	37,426,000	42,973,000	
Surrender values.....	65,474,000	64,579,000	53,217,000	
Policy dividends.....	89,160,000	128,668,000	81,023,000	
Total.....	\$437,531,000	\$481,224,000	\$399,041,000	
<b>LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Jan. (000's omitted):</b>				
Ordinary.....	\$1,712,000	\$2,200,000	\$1,642,000	
Industrial.....	432,000	477,000	450,000	
Group.....	450,000	1,105,000	267,000	
Total.....	\$2,594,000	\$3,782,000	\$2,359,000	
<b>MANUFACTURERS' INVENTORIES &amp; SALES (DEPT. OF COMMERCE) NEW SERIES—Month of January (millions of dollars):</b>				
Inventories—				
Durables.....	\$26,535	\$26,752	\$24,565	
Nondurables.....	19,877	19,970	19,765	
Total.....	\$46,412	\$46,722	\$44,330	
Sales.....	23,705	24,126	24,507	
<b>MONEY IN CIRCULATION—TREASURY DEPT.—As of Jan. 31 (000's omitted)</b>	\$29,981,000	\$30,781,000	\$29,691,000	
<b>NEW YORK STOCK EXCHANGE—As of Feb. 28 (000's omitted):</b>				
Member firms carrying margin accounts—				
Total customers' net debit balances.....	\$1,687,885	\$1,689,558	\$1,349,944	
Credit extended to customers.....	34,976	34,074	29,983	
Cash on hand and in banks in U. S.....	308,951	310,857	329,367	
Total of customers' free credit balances.....	768,238	741,097	730,283	
Market value of listed shares.....	124,905,523	123,189,862	119,748,972	
Market value of listed bonds.....	107,646,029	101,246,212	100,116,892	
Member borrowings on U. S. Govt. issues.....	122,344	138,448	43,932	
Member borrowings on other collateral.....	1,084,826	1,124,536	934,666	
<b>PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of January (in billions):</b>				
Total personal income.....	\$282.5	\$284.6	\$280.5	
Wage and salary, receipts, total.....	194.9	196.3	192.8	
Total employer disbursements.....	190.5	192.5	188.8	
Commodity producing industries.....	85.2	86.4	86.8	
Distributing industries.....	52.2	52.2	50.2	
Service industries.....	24.0	24.2	22.7	
Government.....	33.5	33.5	33.1	
Less employee contributions for social insurance.....	4.8	4.1	4.1	
Other labor income.....	5.1	5.1	5.1	
Proprietors and rental income.....	50.0	50.3	51.6	
Personal interest income and dividends.....	22.8	22.7	21.6	
Total transfer payments.....	14.5	14.8	13.5	
Total nonagricultural income.....	265.2	267.2	261.1	
<b>PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — September, 1909-July, 1951 = 100</b>				
—As of January 15:				
Unadjusted—				
All farm products.....	259	254	268	
Crops.....	240	238	254	
Food grain.....	233	230	245	
Feed grain and hay.....	207	205	222	
Tobacco.....	420	427	419	
Cotton.....	254	260	253	
Fruit.....	222	237	220	
Truck crops.....	271	224	263	
Oil-bearing crops.....	268	269	291	
Livestock and products.....	277	269	281	
Meat animals.....	309	285	303	
Dairy products.....	274	282	294	
Poultry.....	213	218	218	
<b>PROSPECTIVE PLANTING FOR 1951 — U. S. CROP REPORTING BOARD — ACREAGES IN THOUSANDS—As of March 1:</b>				
Corn, all.....	81,037		81,403	
All spring wheat.....	16,657		21,903	
Durum.....	1,490		1,490	
Other spring.....	15,167		19,800	
Oats.....	47,256		44,013	
Barley.....	14,095		9,597	
Flaxseed.....	5,383		4,560	
Rice.....	2,360		2,181	
Sorghums for all purposes.....	18,664		14,604	
Potatoes.....	1,634		1,532	
Sweetpotatoes.....	357		356	
Tobacco.....	1,630		1,638	
Beans, dry edible.....	1,640		1,437	
Peas, dry field.....	321		260	
Soybeans.....	18,075		16,065	
Peanuts.....	1,942		1,884	
Hay.....	75,793		73,918	
Sugar beets.....	944		792	

of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.

†Number of orders not reported since introduction of Monthly Investment Plan.

Continued from first page

## Our Present Gold Policy Should Stand

must lie in their faith that their government will conduct itself efficiently and prudently—that all of its policies, and particularly its budgetary and fiscal and monetary arrangements, will be honest and competently conducted. Nevertheless, a fixed relationship between gold and the currency of a country gives an added element of confidence and security.

In recent years the link between the dollar and gold has represented a basic stable relationship in an unstable world economy. Economic values the world over have been measured in terms of the United States dollar.

### Our Present Gold Policy

Now, I should like to review just what our present gold policy is, and how it got that way.

You will recall that in the banking holiday in March, 1933, we stopped redeeming currency in gold, and in April, under emergency legislation, the public was required to surrender gold coin and gold bullion to the government.

The Agricultural Adjustment Act of May, 1933, gave the President power to alter the gold content of the dollar. Under emergency authority a series of increases in the price of gold was made. The Gold Reserve Act of 1934 in effect confirmed the previous emergency actions and gave the Secretary of the Treasury broad powers in buying and selling gold and issuing regulations with respect to gold. Thereupon the President, in January, 1934, established the dollar value of gold at \$35 per ounce, an increase

of 69% from the value maintained for over 140 years.

Since January, 1934, there has been no change in the official price of gold. The President's power to change the gold content of the dollar lapsed in 1943. The Bretton Woods Act of 1945 in substance terminated the power of the Secretary of the Treasury to buy or sell gold at other than the established price of \$35 an ounce.

Under present laws and regulations this country is on what may be termed an international gold bullion standard. We buy and sell gold freely with other countries through their central banks and treasuries at the price of \$35 an ounce, plus or minus a handling charge of one-fourth of one percent.

We do not coin gold. We do not allow our citizens to hold gold except in industry and the arts and as jewelry, or collectors' items. Individuals and businesses cannot export gold without license. Our citizens can buy gold dust but have shown little interest in doing so.

Our rules governing our citizens in these matters are basically similar to those of other countries with developed economies. There is no one of these countries where the central bank or treasury redeems its currency freely in gold coin, though in a number of countries the citizens can buy gold in a so-called "free market," at whatever price it may be available.

Since the removal of unnecessary restrictions on the citizen is a steadfast objective of this Administration, we are reviewing the regulations concerning gold,

in an endeavor to find ways in which we may reduce the administrative burdens which they impose on individuals and firms. We hope that present conditions in the world's economy will permit us to publish soon certain simplifications of the gold regulations, which I believe will be welcomed, although they will not involve any modification of our general gold policy.

The object of our policy and regulations is to protect our gold reserves, which support the value of money and can be used to settle international balances. The United States holds \$22 billion of gold out of the world's monetary stock of gold of \$36 billion. This huge stock of gold is a bulwark for confidence in the value of currency. In a world of great uncertainties it is one of the anchors of value on which business transactions depend.

It has been said sometimes that the gold in Fort Knox and other Mint institutions is idle and useless. Nothing could be less true. This gold is the legal reserve of the Federal Reserve System against its deposits and currency in circulation. The knowledge all over the world that the United States dollar has back of it this stock of gold coupled with the intention and the assured ability to maintain a constant price of gold, is at least one firm basis for measuring world values. It is a major reason why the dollar can be used everywhere to settle international transactions.

In summary, this is our present gold policy: we are maintaining an assured ability to support a constant relationship between gold and the dollar—a relationship which is as important to foreign countries as it is to us.

This continuing and unchanging link is, in fact, the most important part of our policy. It is more important than the redeemability of currency into gold. It is a point of stability in a world which sorely needs a stable basis upon which to build a secure and healthy international economy.

### Changes in Policy Proposed by Bills

One of the questions raised by the bills before you is whether it is now wise to reduce the restrictions which we have maintained to protect this monetary reserve. Can we safely now run the risk of letting both our own people and people elsewhere draw down this gold freely and perhaps dissipate it so that the strength of our monetary reserves is impaired?

It is the position of the Treasury that it would not be wise now to take the risk of a major step in relaxing restraints. We still live in a very uncertain world. A large part of the world's new gold production has been vanishing into gold hoards and becoming unavailable for monetary reserves. Until the public temper is one of greater security, it would be unwise to expose our gold freely to the hoarder.

In making basic changes of policy, it is desirable to act courageously and firmly. But it is just as important to avoid acting prematurely. Premature moves invite the possibility of having to reverse the steps taken, perhaps under crisis conditions. And a retreat from an important advance can cause damage which far exceeds the benefits derived from the original advance.

Since the end of the war the free world has experienced a series of crises. Some of these crises have been political in origin, arising out of the division between free nations and those dominated from Moscow. A state of international tension has been punctuated at intervals by physical aggression or the threat of aggression. Each of these attacks upon the security of the world has caused widespread political unrest and, as always, people all over the world have sought the

safety of gold during such intermittent crises. I wish we were able to predict, today, that there would be no further disruptions of this sort. Unfortunately, we cannot make that prediction and a prudent government cannot act upon a basis of wishful thinking.

Other crises which have swept the world in recent years have been economic in origin. When severe, these crises have shaken the exchange rates of the countries concerned. Whether severe or not, they have put pressures on their gold reserves. The United States gold stock has been a focal point which feels the impact of these crises.

Mr. Chairman, with your permission, I will place in the record a table which shows by years the gold stock of the United States, and the required legal reserves of the Federal Reserve System, and also foreign holdings of bank balances or short-term investments in the United States which are potential claims on our gold.

As shown in Table I, between the end of World War II and the exchange rate adjustments of 1949, our gold reserves increased almost one-fourth, from \$20 billion to almost \$25 billion. The more realistic currency and price relationships which foreign countries achieved from the devaluations, and the added windfall from our large imports of goods after the fighting began in Korea—as well as the support afforded by the continuing flow of American assistance and United States Government expenditures abroad—caused foreign reserves to rise; so that our gold stock fell to \$22 billion by the middle of 1951.

Then, as foreigners again began to demand relatively more of our goods, they once more found it necessary to send us gold. Our reserves rose \$1½ billion dollars between August, 1951 and April, 1952.

There soon followed a substantial improvement in the economic stability of important countries overseas. This greater stability was reflected in a renewed outflow of gold from the United States. We have sold \$1½ billion worth of gold to foreign countries in the last 18 months.

This ebb and flow of strength and confidence in foreign countries, which in large part accounted for these successive increases and decreases of our gold reserves, was reflected also in changes in the price of gold in markets throughout the world. This is shown in the second table which I should like to lay before the Committee.

The figures in Table II, derived from publications of the International Monetary Fund, are for gold bars and you will note the fluctuations in price and the recent trend toward lower prices.

Prices for coins were higher. Even now, when conditions are more stable than at any time since the end of World War II, gold sovereigns are selling at the equivalent of about \$40 an ounce in various markets.

Another way of judging world psychology about gold is to observe the amount of new gold production which has been going into world monetary stocks as compared with the amount going into

hoards or into industry and the arts. This is shown in Table III.

During periods of strict wartime controls, almost the whole of new production went into monetary reserves—and, indeed, even more as many nations required their people to turn their gold in to government stocks. At other times there has been great variation in the use of new gold. In 1951 only 17% went into monetary reserves. In 1952 it was better—37%—and for 1953 it is estimated at 49%.

These facts demonstrate the powerful and capricious forces which could be focused upon any stock of gold coins or other forms of monetary gold permitted to circulate freely within the United States. If coins were circulated, they would be subject to the pull of demand from overseas sources—a demand which would rise and fall with every political and economic turn of events.

In this connection, it should be noted from my first table that foreign countries and international institutions hold about \$12 billion in short-term dollar balances in this country. Under present circumstances, these balances constitute no danger to our economy, but in a different situation—one in which gold could be drawn from the Treasury in unlimited amounts and hoarded or exported without limit—these balances could be troublesome.

Another fact emphasizes that underlying forces of instability still remain in the world. Except in the case of a few countries, international trade and payments are still hedged around by a multitude of administrative and political controls such as quotas, excessive tariffs, and exchange controls.

When more restrictions have been removed and convertibility has been restored, at least among the principal currencies, we shall be freer to consider the return to gold redemption. If we were to try to force the pace by resuming gold payments before the foundations were more firmly laid through a continuation of recent policies toward sounder budget, credit and price practices, the gold released in this country might simply move out into hoards, and become the tool of the international speculator. Gold payments are the seal of approval of good money, and the free world has not yet gone far enough in the achievement of good money. It is doubtful whether the United States should consider gold redeemability of its currency until other major countries are ready and able to do likewise.

### Free Gold Market

The same factors which make it unwise for us to return to a gold coin standard now also argue against the opening of a free gold market in the United States, which is recommended in two of the bills before the Committee.

Under such a free market there would be two alternatives: either the United States Government, with its \$22 billion in reserves, would stay out of the market, and we would have a gold price that fluctuated up and down depending upon the demand for a relatively small amount of new gold production; or the government

TABLE I

U. S. Gold Reserve vs. Requirements and Potential Claims 1922-53  
(In millions of dollars)

End of Year	U. S. Gold Reserves	(A) U. S. Required Gold Reserves	(B) Foreign Short-Term Dollar Balances	Total of A and B
1922-----	3,506	1,686	1,009	2,695
1923-----	3,324	1,652	997	2,649
1924-----	4,090	1,599	1,237	2,836
1925-----	3,985	1,558	1,193	2,751
1926-----	4,083	1,564	1,639	3,203
1927-----	3,977	1,624	2,591	4,215
1928-----	3,746	1,621	2,483	4,104
1929-----	3,900	1,611	2,673	4,284
1930-----	4,225	1,562	2,335	3,897
1931-----	4,052	1,781	1,304	3,085
1932-----	4,045	1,967	746	2,713
1933-----	4,012	2,166	392	2,558
1934-----	8,259 <sup>1</sup>	2,729	670	3,399
1935-----	10,124	3,610	1,301	4,911
1936-----	11,422	4,101	1,623	5,724
1937-----	12,790	4,170	1,892	6,063
1938-----	14,591	5,099	2,158	7,257
1939-----	17,800	6,354	3,221	9,575
1940-----	22,042	7,897	3,938	11,835
1941-----	22,761	8,310	3,679	11,989
1942-----	22,739	9,997	4,205	14,202
1943-----	21,981	11,902	5,375	17,277
1944-----	20,631	14,350	5,820	20,170
1945-----	20,083	10,868	7,074	17,942
1946-----	20,706	10,731	6,481	17,212
1947-----	22,868	11,294	7,135	18,429
1948-----	24,399	11,894	7,756	19,650
1949-----	24,563	10,753	7,623	18,376
1950-----	22,820	11,005	9,222	20,227
1951-----	22,873	11,720	9,302	21,022
1952-----	23,252	12,055	10,731	22,786
1953-----	22,090	12,151	11,771	23,922
1954, Jan. 31--	22,044	11,799	11,547	23,346

<sup>1</sup> Includes \$2,806 million, the increment resulting from the reduction in the weight of the gold dollar, January 1934.

<sup>2</sup> Data are based on three somewhat differing series, as follows: 1922-1928, estimates based on 1929 figure, adjusted for previous years by changes in foreign banking claims on the United States as published by the Department of Commerce; 1929-1933, as reported to the Federal Reserve Bank of New York by banks in New York City; 1934-1953, as reported to the Treasury Department by banks in the United States. Data represent short-term dollar balances of foreign official and private institutions and of international organizations. For the period 1944-1953, holdings of U. S. Government securities maturing within 20 months after date of purchase are included.

SOURCES: Foreign Short-Term Dollar Balances: Department of Commerce, The United States in the World Economy; Board of Governors of the Federal Reserve System, Banking and Monetary Statistics; Monthly Treasury Bulletin and Federal Reserve Bulletin.

U. S. Gold Reserves and Required Gold Reserves:  
1922-1941 Banking and Monetary Statistics,  
1942-1953 Federal Reserve Bulletin.

TABLE II  
Free Market Gold Prices

(In \$ per fine ounce for bar gold, converted at free market rates of exchange)

Date	Paris	Hong Kong	Beirut
Dec. 31, 1947-----	---	52.06	---
Dec. 31, 1948-----	49.54	48.76	---
Dec. 31, 1949-----	46.30	40.18	41.63
May 31, 1950-----	38.48	37.31	36.26
(pre-Korea)			
July 31, 1950-----	43.39	44.59	39.14
(post Korea)			
Dec. 31, 1950-----	43.05	44.47	40.13
Dec. 31, 1951-----	41.38	42.71	39.00
Dec. 31, 1952-----	38.95	40.48	37.81
Dec. 31, 1953-----	35.62	37.25	35.57
Feb. 27, 1954-----	35.86	37.58	35.31

Taken from "International Financial Statistics" published by International Monetary Fund.

would stand ready to buy and sell gold at the official price to prevent fluctuations. The first alternative would tend in the opposite direction from our ultimate goal—it would be in the direction of more instability instead of more stability. The second alternative would be, in effect, full convertibility of the currency into gold.

#### Price of Gold

Another bill before the Committee suggests that we increase the price of gold. We believe that such a move would be against the best interests of the United States and our foreign friends. An increase in the price, with the consequent upward revaluation of this country's gold stock, would be contrary to the program of maintaining stability in our economy. A revaluation of the gold stock could set in motion long-term inflationary forces through increases in the volume of money, and in additions to the reserves of the banking system, which would provide the basis for a large potential expansion of money and credit, out of proportion to the business volume.

Furthermore, such a move would upset a relationship which has been of great importance to ourselves and to the world. The value of the dollar is firmly linked to gold. With only one major change this has been true throughout the history of our country, under Administrations of both parties. Our people, and foreigners as well, have come to think of the dollar as a secure currency, steadfastly defined in terms of a specific amount of our basic monetary metal. This is a relationship which should not be disrupted. It would be a grievous error, particularly at a time when the world is achieving some element of stability, to open up the possibility that this nation was prepared to make

periodic devaluations of its currency in terms of gold.

#### Progress Being Made

In spite of the instabilities and dangers which remain, the world is making progress. That is the final point I wish to make here today. The prospects for a stable free world economy are better today than they have been for a very long time. Step by step, in a countless number of ways, a healthier world economy is being constructed.

There has been a marked improvement in the underlying stability of the free world economy. Many countries have improved their balance of payments, strengthened their monetary reserves, and continued to increase their production.

All of this is happening quietly and without fanfare. Economic collapse makes good headlines, but the road back to good money and economic health is usually less dramatic. We are therefore likely to be unaware of how much forward progress is being made until long after the event.

Nevertheless, if we look carefully at the record of the last year, we are able to find many reasons for optimism. Many steps forward—none of them world-shaking but each of them a step in the right direction—have taken place.

Discriminations against dollar goods have been reduced, and in one case at least, eliminated. Recent moves have been made to reduce the complexity of arrangements with regard to sterling, the guilder and the Deutsche mark. General markets for the sale and purchase of important commodities have been reopened. In many countries, internal finance has been brought under control, and international payments have been brought more nearly into balance.

Trade and payments, while still not so free as we would like, are freer than at any other time since the end of the war. Foreign countries have increased their gold and dollar balances by about \$8 billion in the past four years. The need for United States aid is lessening. All of these developments bring us closer to the day when foreign countries will find their economies sufficiently stable to permit the convertibility of their currencies and the freer movement of commerce. These are goals which we are striving for. In the words of the Commission on Foreign Economic Policy, "convertible currencies constitute an indispensable condition for the attainment of world-wide multilateral trade and the maintenance of balanced trade in a relatively free market."

We are making progress. There is a firmer determination—not everywhere, but in many important countries—to turn away from the politically easy thing, and toward the economically necessary thing, in the conduct of national affairs. The determination to bring budgets under control, to avoid credit inflation, to look outward as well as inward—these are progressing at a hopeful rate. If these developments can be encouraged and continued, they will pave the way for further stability and further relaxation of controls.

## Our Reporter's Report

The situation in the new issue market, and for that matter things are pretty much the same in the seasoned market, has returned to the stalemate which develops periodically when institutions decide that borrowers and underwriters are pressing too hard.

The general market, in the words of a competent observer, "is definitely in the doldrums." And he sees little hope for a break-out of the lethargy much before mid-April when the Treasury will have had a chance to tote-up its tax collections and decide how much new money it must raise.

At the moment the new issue calendar is rather anemic but this is not a matter of immediate concern to the underwriting fraternity. Distributors of new securities right now are more concerned with the task of working off the substantial inventories that have been building up in recent weeks.

Municipals were the first to encounter definite buyer resistance and, according to current reports, there is very little stuff moving out of dealers' hands at current prices and yields. The same is true in the corporate market which had been doing quite well until a fortnight ago.

Now all hands are disposed to look ahead to April 15 and a decision by the Treasury on what it must do to make up the difference between outgo and income.

#### Really Riled Up

The temper of potential buyers of new issues dropped out sharply in the case of the recent offering of \$40,000,000 of Detroit Edison Co., as 2 1/8s, priced at 98.6499 to yield 2.91%.

A holder of a large block of the bonds to be refunded just flatly refused to even look at the current issue when one of the group sponsoring the offering got in touch with him.

He declared, heatedly, that he was going to tender current hold-

ings for redemption and would either buy something else, or, if the market is too high, sit back and hold the cash for better opportunities.

Some investors may live to regret this attitude on current offerings which simply reflect of necessity changed conditions in the money market which it would appear will obtain for a long time. In any event, the corporate new offering calendar is extremely light from here through the middle of the month. Then investors will have a chance to look over two rather substantial deals, one

of them, however, destined for initial offering to shareholders.

On April 14, Ohio Power Co. is tentatively slated to open bids for an issue of \$20,000,000 of new 30 or 35 year first mortgage bonds. Proceeds will be used to finance new construction.

A week later on April 21, Columbia Gas System Inc., will consider bankers' bids for the privilege of "standing-by" on its offering of \$50,000,000 of 10-year convertible subordinated debentures in the ratio of \$100 of the issue for each 36 shares of common held.

## Bank and Insurance Stocks

By H. E. JOHNSON

### This Week — Bank Stocks

Operating reports of the New York City banks for the first quarter of the current year to be published within the next week are expected to compare favorably with those of the same period of 1953.

In fact present indications are there may be a sizable improvement in earnings with gains running from 5%-10% on the average. Of course, the experience will vary from bank to bank and accounting adjustments are likely to be an important factor in the final figures. Some institutions in the first quarter of last year accrued taxes at rates which indicated a possible liability for excess profits taxes. In only one or two instances were these provisions needed later in the year because tax losses established by security transactions reduced the final tax liability. Thus to a certain extent earnings in the first quarter were not an accurate reflection of operations. This fact, however, will tend to make the gain in earnings for the first quarter of 1954 compare favorably with those of 1953.

Another consideration which has helped operations so far this year has been the trend of earning assets. Reserve requirements were reduced at Central Reserve City banks last July by two percentage points and in addition the trend of deposits has been favorable for the New York banks in recent months.

The result has been that banks have had a larger volume of earning assets in this quarter. Even though the rate of return on such assets has eased in recent months, it has been above a year ago.

True, the prime loan rate in New York was recently reduced from 3 1/4% to 3%. However, last year for the first quarter the rate was 3% and was not raised until April so that the official bank rate averaged somewhat higher in the first quarter than a year ago. In some of the secondary rates, the situation was a little easier but the overall return generally was better.

The loan total, of course, is lower, but only moderately so. The funds so released plus the additional assets obtained from released reserves, increased deposits and miscellaneous sources have been placed in municipal securities and government obligations.

An interesting point about U. S.

Government holdings is that present commitments were established to a large extent last summer and fall when tax losses were being effected. By switching into new issues at the then prevailing prices, the rate of return could be substantially increased. In other words, by selling old holdings to establish tax losses and investing the proceeds in another issue, the rate of return was considerably improved.

Thus even though the prevailing rates and yields available on governments is below a year ago, the advantage gained by switches last summer and fall will enable the banks to show a good rate of return on such investments.

The same is applicable to holdings of municipals as the banks were also very active in this market last year. While recent yields have not been so favorable, the investments made at that time are giving handsome returns.

The combination of these various factors are expected to produce a good gain in gross operating earnings. Operating expenses have continued to increase because of higher wages and salaries as well as other costs. This will absorb a portion of gain in gross income. Nevertheless, operating earnings before taxes should be higher.

There will be a special problem with respect to taxes. While the larger income would normally indicate a higher provision for taxes—and this will be made in many cases—when a bank accrued excess profits taxes in the first quarter of 1953, the provision this year may actually be lower.

Inasmuch as a tax provision in the banks is somewhat arbitrary, it may be that a higher provision will be made in the first part of the year so that the earnings may be held down. Regardless of this, however, there seems to be little doubt that comparisons with the first quarter of 1953 will be favorable.

So far as security transactions are concerned, the rise in the bond market in the last few months should convert the losses of last year into profits. The size of such profits is not clearly indicated but it is known that during the past month a number of banks established profits on Governments sold at a margin over par. Thus the comparison here should also be favorable.

TABLE III

### World Official Gold Reserves and Gold Production (Excluding Russia)

Gold at \$20.67 per ounce to 1933; \$35 beginning with 1934  
Partly estimated

(Dollar amounts in millions)

Year ended Dec. 31	(1) Year-end Total \$	(2) Increase during year \$	(3) % increase	(4) Production \$	(5) New Production \$	(6) Col. (2) as % of Col. (5)
1913	4,073				433	
1914	4,542	469	11.5		412	113.8
1915	5,410	868	19.1		443	195.9
1916	5,872	462	8.5	8-year	432	106.9
1917	6,481	609	10.4	aver.	403	151.1
1918	6,816	335	5.2	9.0%	373	89.8
1919	6,805	-11	-2	p. a.	354	-3.1
1920	7,256	451	6.6		332	135.8
1921	8,045	789	10.9		330	239.1
1922	8,415	370	4.6		316	117.1
1923	8,608	193	2.3		363	53.2
1924	8,904	296	3.4		374	79.1
1925	8,904	0	0		373	0
1926	9,149	245	2.8	11-year	379	64.6
1927	9,496	347	3.8	aver.	380	91.3
1928	9,966	470	4.9	3.0%	382	123.0
1929	10,189	223	2.2	p. a.	382	58.4
1930	10,696	507	5.0		401	126.4
1931	10,996	300	2.8		427	70.3
1932	11,566	570	5.2		458	124.5
1933	11,589	23	.2		469	4.9
1934	21,685	10,096	87.1		823	1,226.7
1935	22,660	975	4.5		883	110.4
1936	24,090	1,430	6.3		972	147.1
1937	25,990	1,900	7.9	7-year	1,041	182.5
1938	26,160	170	0.65	aver.	1,137	15.0
1939	28,100	1,940	7.4	5.3%	1,209	160.5
1940	29,870	1,770	6.3	p. a.	1,297	136.5
1941	31,100	1,230	4.1		1,266	97.2
1942	32,170	1,070	3.4		1,126	95.0
1943	33,000	830	2.7		872	95.2
1944	33,380	380	1.2		777	48.9
1945	33,770	390	1.2		739	52.8
1946	34,120	350	1.0		756	46.3
1947	34,550	430	1.3	10-year	767	56.1
1948	34,930	380	1.1	aver.	798	47.6
1949	35,410	480	1.4	1.1%	833	57.6
1950	35,820	410	1.2	p. a.	858	47.8
1951	35,960	140	0.4		840	16.7
1952	36,280	320	0.9		865	37.0
1953	36,706	426	1.2		865 est.	49.2

NOTE: Gold reserves include international financial institutions. Source of gold reserves and production data is Board of Governors of Federal Reserve System. Data on reserves for some years are subject to some statistical uncertainties and should be interpreted as approximations only.

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# Securities Now in Registration

★ INDICATES ADDITIONS  
SINCE PREVIOUS ISSUE  
● ITEMS REVISED

## ★ Alaska Gulf Oil & Gas Development, Inc.

March 22 (letter of notification) 100,000 shares of common stock. Price—\$1 per share. Proceeds—To acquire and explore properties for oil and gas. Office—326½ Fourth Ave., Anchorage, Alaska. Underwriter—None.

## Alaska Telephone Corp., Seattle, Wash.

Feb. 10 (letter of notification) \$270,000 face amount of 6% 10-year convertible debentures, series B. Price—70% of principal amount. Proceeds—For general operating expenses and working capital. Underwriter—Tellier & Co., New York. Offering—Not expected until the middle of April.

## Allegheny Natural Gas & Oil Corp. (Del.)

March 19 (letter of notification) 500,000 shares of common stock (par one cent). Price—60 cents per share. Proceeds—To drill and complete wells, for improvements, to acquire additional oil and/or gas producing and non-producing properties, leases or interests and for working capital. Office—Titusville, Pa. Underwriters—S. B. Cantor Co. and Northeastern Securities Co., both of New York.

## ★ American Coffee-Matic Corp., N. Y.

March 22 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—\$1 per share. Proceeds—For working capital, etc. Office—20 Broad St., New York, N. Y. Underwriter—Mid-West Securities, 164 Congress St., Brooklyn, N. Y.

## ● American Tideland, Inc. (4/5-6)

March 3 filed 2,000,000 shares of common stock (par 10 cents). Price—\$1 per share. Proceeds—For construction work and purchase of drilling machinery and equipment from Alexander Shipyard, Inc.; for operating expenses; and payment of indebtedness. Office—New Orleans, La. Underwriters—Crierie & Co., Houston, Texas; and Gearhart & Otis, Inc. and Barrett Herrick & Co., both of New York.

## American Transportation Insurance Co., Kansas City, Mo.

March 17 filed 20,000 shares of capital stock (par \$100). Price—\$150 per share. Proceeds—To increase capital and surplus. Underwriter—None.

## Arcturus Electronics, Inc.

March 15 (letter of notification) 100,000 shares of Class A common stock (par one cent). Price—At the market (15 cents each to underwriter). Proceeds—To Delbert E. Replogle, President. Underwriter—Gearhart & Otis, Inc., New York.

## Arkansas Power & Light Co. (4/20)

March 18 filed 70,000 shares of cumulative preferred stock (par \$100). Proceeds—To repay bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). Bids—Expected to be received up to 11 a.m. (EST) on April 20.

## ★ Augusta Chemical Co., Augusta, Ga.

March 25 (letter of notification) 7,500 shares of common stock (par \$1). Price—At market (estimated at about \$2.88 per share). Proceeds—To Beech Chemicals, Inc., 60 Park Place, Newark, N. J. Underwriter—None.

★ Axe-Houghton Stock Fund, Inc., Tarrytown, N. Y. March 30 filed 200,000 shares of common stock. Price—At market. Proceeds—For investment.

## Basin Natural Gas Corp., Santa Fe, N. M.

Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). Price—40 cents per share. Proceeds—To acquire properties and leases. Office—Blatt Bldg., Santa Fe, N. M. Underwriter—Hunter Securities Corp., New York.

## ★ Berland Associates, Los Angeles, Calif.

March 23 (letter of notification) 1,600 shares of 5% cumulative preferred stock (par \$100) and 400 shares of common stock (par \$1). Price—At par. Proceeds—For new equipment and working capital. Office—4917 West Jefferson Blvd., Los Angeles, Calif. Underwriter—None.

## ★ Blue Ridge Mutual Fund, Inc., N. Y.

March 30 filed 350,000 shares of capital stock. Price—At market. Proceeds—For investment.

## Bolsa Chica Oil Corp.

Feb. 16 (letter of notification) 77,624 shares of capital stock (par \$1) being offered for subscription by stockholders of record March 9 at rate of one new share for each seven shares held (with an oversubscription privilege); rights expire April 9. Price—\$3.75 per share. Proceeds—For working capital and general corporate

purposes. Office—727 West Seventh Street, Los Angeles, Calif. Underwriter—None.

## ★ Butte Highlands Mining Co., Spokane, Wash.

March 22 (letter of notification) 150,000 shares of common stock. Price—To be supplied by amendment. Proceeds—For working capital. Office—519 Spokane & Eastern Bldg., Spokane, Wash. Underwriter—None.

## ● Cahokia Downs, Inc., East St. Louis, Ill. (4/5)

Feb. 15 filed \$1,400,000 of 10-year 6% first mortgage bonds due Jan. 1, 1964, and 140,000 shares of common stock (par \$1). Price—Of bonds, at 100% of principal amount; and of stock, \$1.50 per share. Proceeds—For construction and operation of racing plant. Underwriter—Dixon Bretscher Noonan Inc., Springfield, Ill.

## Capper Publications, Inc., Topeka, Kansas

March 23 filed \$2,000,000 of series six 5-year first mortgage 4% bonds and \$2,000,000 of series seven 10-year first mortgage bonds. Price—At 100% of principal amount. Proceeds—To advance sums to Topeka Broadcasting Association, Inc., a subsidiary, and for redemption of certain bonds. Underwriter—None.

## NEW ISSUE CALENDAR

### Friday (April 2)

Signature Loan Co., Inc. Preferred  
(Simon, Strauss & Himme; William N. Pope, Inc.; and Chace, Whiteside, West & Winslow, Inc.) \$648,076  
Signature Loan Co., Inc. Preferred & Common  
(Simon, Strauss & Himme; William N. Pope, Inc.; Chace, Whiteside, West & Winslow, Inc.; A. M. Kidder & Co.; Draper, Sears & Co. and Chilson, Newbery & Co.) \$456,599

### April 5 (Monday)

American Tideland, Inc. Common  
(Crierie & Co.; Gearhart & Otis, Inc.; and Barrett Herrick & Co.) \$2,000,000  
Cahokia Downs, Inc. Bonds & Common  
(Dixon Bretscher Noonan, Inc.) \$1,610,000  
Magnolia Park, Inc. Debentures & Common  
(Gearhart & Otis, Inc.; Hunter Securities Corp.; and T. J. Feibleman & Co.) \$2,750,000  
Market Basket Common  
(Offering to stockholders—underwritten by Bateman, Eichler & Co.; The First California Co., Inc., and William R. Staats & Co.) 28,830 shares  
North American Uranium & Oil Corp. Common  
(Israel & Co.) \$1,500,000  
Pennsylvania Power & Light Co. Common  
(Offering to stockholders—may be underwritten by Drexel & Co. and The First Boston Corp.) 704,917 shares

### April 6 (Tuesday)

Community Public Service Co. Bonds  
(Bids 11 a.m. EST) \$3,000,000  
Devon-Leduc Oils Ltd. Bonds  
(McLaughlin, Reuss & Co.) \$2,000,000  
ElectroData Corp. Common  
(Blyth & Co., Inc.) \$1,575,000  
Georgia Power Co. Bonds  
(Bids 11 a.m. EST) \$11,000,000  
Public Service Co. of New Mexico Common  
(Offering to stockholders—underwritten by Allen & Co.) 138,551 shares  
Safeway Stores, Inc. Preferred  
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane) \$26,874,000

### April 7 (Wednesday)

Bank of Virginia Common  
(J. C. Wheat & Co.) 207,000 shares  
Western Kentucky Gas Co. Common  
(Equitable Securities Corp. and J. J. B. Hilliard & Son) 125,000 shares

### April 8 (Thursday)

General Gas Corp. Common  
(Kidder, Peabody & Co.) 100,000 shares  
West Texas Utilities Co. Preferred  
(Bids to be invited) \$6,000,000  
Winston & Newell Co. Preferred  
(J. M. Dain & Co.; Piper, Jaffray & Hopwood and Woodward Elwood Co.) \$600,000

### April 12 (Monday)

Central Power & Light Co. Bonds  
(Bids noon EST) \$18,000,000  
Gulf Insurance Co. Common  
(Offering to stockholders—no underwriting) 5,000 shares  
Inter-Mountain Telephone Co. Common  
(Courts & Co.) 142,500 shares  
National Fuel Gas Co. Debentures  
(Bids 11 a.m. EST) \$15,000,000

### (April 13 (Tuesday)

Gas Service Co. Common  
(Bids to be invited) 1,500,400 shares  
Long Island Lighting Co. Preferred  
(W. C. Langley & Co.; Blyth & Co., Inc.; and The First Boston Corp.) \$20,000,000  
Southern Indiana Gas & Electric Co. Bonds  
(Bids 11 a.m. EST) \$8,000,000  
Texas Utilities Co. Common  
(Bids 11 a.m. EST) 250,000 shares

### April 14 (Wednesday)

Northern States Power Co. Common  
(Offering to stockholders—bids 10:30 a.m. CST) 1,219,856 shares  
Ohio Power Co. Bonds  
(Bids 11 a.m. EST) \$20,000,000  
Ohio Power Co. Preferred  
(Bids 11 a.m. EST) \$5,000,000

## Carr-Consolidated Biscuit Co.

March 15 (letter of notification) 40,000 shares of common stock (par \$1). Price—At market (estimated at around par). Proceeds—To three selling stockholders. Underwriter—Auchincloss, Parker & Redpath, New York.

## ★ Central Mutual Telephone Co., Inc., Manassas, Va.

March 22 (letter of notification) 20,000 shares of capital stock (par \$10), of which 4,000 shares are to be offered to shareholders at par and 16,000 shares to public at \$12 per share. Proceeds—For improvements and additions to plant. Underwriter—Folger, Nolan-W. B. Hibbs & Co., Inc., Washington, D. C.

## ● Central Power & Light Co. (4/12)

March 18 filed \$18,000,000 of first mortgage bonds, series F, due April 1, 1984. Proceeds—To redeem \$8,000,000 series E 4½% bonds due May 1, 1983, and for additions, extensions and improvements. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., East-

Standard Uranium Corp. Common  
(Gearhart & Otis, Inc. and Crierie & Co.) \$1,787,500

### April 15 (Thursday)

Light Metals Refining Corp. Common  
(Philip Gordon & Co., Inc.) \$5,000,000  
York Corp. Debentures  
(The First Boston Corp. and Kidder, Peabody & Co.) \$18,000,000  
York Corp. Common  
(The First Boston Corp. and Kidder, Peabody & Co.) 220,000 shs.

### April 19 (Monday)

Temco Aircraft Corp. Common  
(Van Alstyne, Noel & Co.) 300,000 shares

### April 20 (Tuesday)

Arkansas Power & Light Co. Preferred  
(Bids 11 a.m. EST) \$7,000,000  
Claussen Bakeries, Inc. Common  
(Johnson, Lane, Space & Co.) 225,000 shares  
Northern States Power Co. Preferred  
(Bids 10:30 a.m. CST) \$15,000,000  
West Penn Power Co. Bonds  
(Bids 11 a.m. EST) \$12,000,000

### April 21 (Wednesday)

Columbia Gas System, Inc. Debentures  
(Bids 11:30 a.m. EST) \$50,000,000

### April 27 (Tuesday)

General Acceptance Corp. Debentures  
(Paine, Webber, Jackson & Curtis) \$4,000,000

### April 28 (Wednesday)

General Telephone Co. of Indiana, Inc. Preferred  
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) 30,000 shares  
Utah Power & Light Co. Bonds  
(Bids noon EDT) \$15,000,000

### May 3 (Monday)

Kansas-Nebraska Natural Gas Co., Inc. Preferred & Common  
(The First Trust Co. of Lincoln, Neb. and Crutenden & Co.) \$1,000,000 pfd. and 85,909 shs. of common

### May 4 (Tuesday)

Montana Power Co. Bonds  
(Bids 11 a.m. EDT) \$6,000,000  
Montana Power Co. Preferred  
(Bids 11 a.m. EDT) \$6,000,000

### May 5 (Wednesday)

New Jersey Bell Telephone Co. Debentures  
(Bids 11 a.m. EDT) \$25,000,000

### May 6 (Thursday)

Allis-Chalmers Mfg. Co. Preferred  
(Blyth & Co., Inc.) \$35,000,000  
Cleveland Electric Illuminating Co. Bonds  
(Bids to be invited) about \$20,000,000

### May 11 (Tuesday)

Consolidated Edison Co. of New York, Inc. Bonds  
(Bids to be invited) \$50,000,000

### May 12 (Wednesday)

Montana Power Co. Debentures  
(Bids 11 a.m. EDT) \$18,000,000

### May 14 (Friday)

First Nat'l Bank of Toms River, N. J. Common  
(Offering to stockholders) \$150,000

### May 17 (Monday)

General Public Utilities Corp. Common  
(Offering to stockholders—Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent) about 600,000 shares

### May 18 (Tuesday)


Virginia Electric & Power Co. Bonds  
(Bids to be invited) \$25,000,000

### May 25 (Tuesday)

Consolidated Natural Gas Co. Debentures  
(Bids 11:30 a.m. EDT) \$25,000,000

### May 26 (Wednesday)

Public Service Electric & Gas Co. Bonds  
(Bids to be invited) \$50,000,000



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★ **Century Shares Trust, Boston, Mass.**

March 25 filed 2,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ **Concord Fund, Inc., Boston, Mass.**

March 29 filed 200,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

● **Columbia Gas System, Inc. (4/21)**

March 22 filed \$50,000,000 of subordinated convertible debentures due 1984 to be offered for subscription by common stockholders of record April 21 on the basis of \$100 of debentures for each 36 shares held; rights to expire on May 10. **Price**—\$100% of principal amount. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on April 21 at 120 East 41st St., New York 17, N. Y.

★ **Community Public Service Co. (4/6)**

March 1 filed \$3,000,000 of first mortgage bonds, series D, due March 1, 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Blyth & Co., Inc. **Bids**—To be received up to 11 a.m. (EST) on April 6 at 90 Broad Street, New York, N. Y.

★ **Cooperative Grange League Federation Exchange, Inc.**

March 26 filed 7,500 shares of 4% cumulative preferred stock (par \$100) and 500,000 shares of common stock (par \$5). **Price**—At par. **Proceeds**—To retire class B common stock and 5% cumulative preferred stock of G. L. F. Holding Corp., a subsidiary, and for working capital. **Underwriter**—None. This offering is a continuation of earlier offerings of same classes of securities.

★ **Cornbelt Insurance Co., Freeport, Ill.**

March 17 filed 300,000 shares of common stock (par \$1). **Price**—\$3 per share. **Proceeds**—For investment. **Underwriter**—None.

● **Devon-Leduc Oils Ltd. (4/6)**

March 10 filed \$2,000,000 10-year 5% convertible sinking fund leasehold mortgage bonds due May 1, 1964. **Price**—100% of principal amount. **Proceeds**—To redeem outstanding bonds, repay bank loan and for general corporate purposes, including drilling commitments in the Stony Plain India Reserve and in participation of the development of the Buck Lake Area. **Office**—Winnipeg, Canada. **Underwriter**—McLaughlin, Reuss & Co., New York.

★ **Dodge & Cox Fund, San Francisco, Calif.**

March 29 filed 25,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ **Duggan's Distillers Products Corp.**

Feb. 19 (letter of notification) 200,000 shares of common stock (par 10 cents) to be offered to stockholders. **Price**—25 cents per share. **Proceeds**—For general corporate purposes. **Office**—248 McWhorter St., Newark 5, N. J. **Underwriter**—None.

★ **ElectroData Corp., Pasadena, Calif. (4/6)**

March 15 filed 450,000 shares of common stock (par \$1), of which 435,000 shares are to be offered for subscription by common stockholders of Consolidated Engineering Corp. at rate of one share for each two Consolidated shares held about April 6; rights to expire about April 26. **Price**—\$3.50 per share. **Proceeds**—To repay advances from Consolidated and for working capital, etc. **Business**—To design, develop, manufacture and sell or lease standard and specialized electronic data processing equipment for scientific, industrial and commercial uses. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

★ **Elfun Trusts, New York**

March 29 filed 100,000 units of participation. **Price**—At market. **Proceeds**—For investment.

★ **Empire Oil & Refining Co., Inc., Tyler, Texas**

March 9 (letter of notification) 60,000 shares of common stock (par five cents). **Price**—At market (estimated at 70 cents per share). **Proceeds**—To underwriter, Charter Securities Corp., New York.

★ **Fidelity Acceptance Corp., Minneapolis, Minn.**

Jan. 26 (letter of notification) 2,800 shares of 6% cumulative preferred stock, class E. **Price**—At par (\$25 per share). **Proceeds**—To be available to subsidiaries and reduce outstanding bank loans. **Office**—820 Plymouth Bldg., Minneapolis, Minn. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn.; and B. I. Barnes, Boulder, Colo.

★ **Financial Credit Corp., New York**

Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par (\$2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

● **Firth-Loach Metals, Inc., Pittsburgh, Pa.**

March 18 filed 33,400 shares of capital stock (par \$25). **Price**—\$25 per share. **Proceeds**—For expansion, equipment and working capital. **Underwriter**—None.

★ **Florida Public Utilities Co.**

March 24 (letter of notification) 25,000 shares of common stock (par \$3). **Price**—At market (to be supplied by amendment). **Proceeds**—For construction program. **Underwriters**—Starkweather & Co., New York; Clement A. Evans & Co., Inc., Atlanta, Ga.; and McCleary & Co., Inc., St. Petersburg, Fla.

★ **Gamma Corp., Wilmington, Del.**

Feb. 2 (letter of notification) 140,000 shares of common stock (par 10 cents). **Price**—\$1.50 per share. **Proceeds**—For inventory, capital expenditures and working capital. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—Sheehan & Co., Boston, Mass.

★ **Gary (Theodore) & Co., Kansas City, Mo.**

March 31 filed 310,000 shares of participating common stock (par 20 cents) to be offered for subscription by stockholders on the basis of seven new shares for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—To provide financing for Telephone Bond & Share Co. and for general corporate purposes. **Underwriter**—None.

● **Gas Service Co., Kansas City, Mo. (4/13)**

March 18 filed 1,500,000 shares of common stock (par \$10). **Price**—To be supplied by amendment. **Proceeds**—To Cities Service Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co.; Stone & Webster Securities Corp. and Stern Bros. & Co. (jointly); Union Securities Corp. **Bids**—Tentatively expected April 13.

★ **General Credit Corp., Miami, Fla.**

March 25 (letter of notification) 74,990 shares of capital stock (par \$1). **Price**—\$4 per share. **Proceeds**—For working capital. **Office**—799 N. W. 62nd Street, Miami, Fla. **Underwriter**—Murphy & Co., Miami, Fla.

★ **General Gas Corp., Baton Rouge, La. (4/8)**

March 19 filed 100,000 shares of common stock (par \$5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York.

★ **General Stores Corp., New York**

March 8 filed 300,000 shares of common stock (par \$1). **Price**—\$1.37½ per share. **Proceeds**—To pay part of cost of acquisition of Ford Hopkins Co., Chicago, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

★ **General Telephone Co. of Indiana, Inc. (4/28)**

March 30 filed 30,000 shares of \$2.50 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

★ **Georgia Power Co. (4/6)**

March 10 filed \$11,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co.; Salomon Bros. & Hutzler and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers; Morgan Stanley & Co. **Bids**—To be received up to 11 a.m. (EST) on April 6 at office of Southern Services, Inc., 20 Pine St., New York City.

★ **Grand Canyon Life Insurance Co., Phoenix, Ariz.**

March 25 (letter of notification) 15,000 shares of common stock (par \$1) to be offered to officers, directors and employees at \$1.70 per share; an indefinite number of common shares pursuant to five-year dividend assignments at \$2 per share; and an indefinite number of shares to general public at \$2.50 per share (aggregate offering price not to exceed \$225,000). **Proceeds**—For capital and surplus to qualify as full legal reserve life insurance company. **Office**—3827 N. Central Avenue, Phoenix, Ariz. **Underwriter**—None.

● **Growers Container Corp., Salinas, Calif.**

Feb. 15 filed 1,450,000 shares of common stock, to be offered primarily to individuals and firms in the Salinas Valley, Imperial Valley, Yuma, Phoenix, and other districts in and outside of San Francisco and Arizona, who are engaged in or allied to the growing and shipping industry. **Price**—At par (\$1 per share). **Proceeds**—Construction of plants, acquisition of equipment, and for working capital. **Business**—Primarily manufacture of cartons and bags used for shipment of various vegetables. **Underwriter**—None. Statement effective March 16.

★ **Harlan-Franklin Oil Corp., Jersey City, N. J.**

March 1 (letter of notification) 297,000 shares of common stock (par 10 cents). **Price**—\$1 per share. **Proceeds**—For expenses incident to acquisition of property and related activities with respect to oil business. **Office**—15 Exchange Place, Jersey City, N. J. **Underwriter**—Luster Securities Co., 26 Journal Square, Jersey City, New Jersey.

★ **Household Gas Service, Inc.**

March 24 (letter of notification) \$45,000 of first mortgage 5% sinking fund bonds dated May 1, 1950 and due May 1, 1965. **Price**—100% of principal amount. **Proceeds**—To repay indebtedness and for new construction and working capital. **Office**—Clinton, N. Y. **Underwriter**—None.

● **Inter-Mountain Telephone Co. (4/12)**

March 18 filed 142,500 shares of common stock (par \$10) to be offered first for subscription by common stockholders of record March 30 on the basis of one new share for each four shares held; rights to expire on April 28. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Courts & Co., Atlanta, Ga., for 78,336 shares. The balance of 64,164 shares are to be purchased by two principal stockholders, Southern Bell Telephone & Telegraph Co. and The Chesapeake & Potomac Telephone Co. of Virginia.

★ **Investment Co. of America, Los Angeles, Calif.**

March 29 filed 3,000,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ **Investors Syndicate of America, Inc.**

March 26 filed \$2,750,000 of fully paid face amount certificates and \$320,250,000 of instalment face amount certificates, each in different series. **Office**—Minneapolis, Minn.

★ **Jewel Tea Co., Inc.**

March 22 (letter of notification) 7,500 shares of common stock (par \$1) to be offered to employees under the company's stock purchase plan. **Price**—\$2 less than the closing price on the New York Stock Exchange on the day the application to purchase such stock is accepted by the company. **Proceeds**—For working capital. **Office**—Jewel Park, Barrington, Ill. **Underwriter**—None.

★ **Kress (S. H.) & Co., New York**

March 29 filed 40,000 shares of common stock (no par) for issuance under the company's stock purchase plan for selected employees.

★ **Kropp Forge Co., Cicero, Ill.**

March 11 (letter of notification) 40,425 shares of common stock (par 33½ cents). **Price**—At market (estimated at \$2.75 per share) and will not exceed an aggregate of \$150,000. **Proceeds**—To Estate of Emma C. Kropp. **Underwriters**—L. D. Sherman & Co., New York, and Sincere & Co., Chicago, Ill.

★ **Landa Oil Co., Dallas, Texas**

Feb. 26 (letter of notification) \$100,000 of 10-year 6% sinking fund bonds, series B, dated April 1, 1954 and due March 31, 1964 (callable at 103% and accrued interest) and 7,250 shares of common stock. **Price**—For stock, \$4 per share and for bonds at face amount (in denominations of \$100, \$500 and \$1,000 each). **Proceeds**—For working capital. **Office**—5738 North Central Expressway, Landa Building, Dallas, Texas. **Underwriter**—Lynch, Allen & Co., Inc., Landa Building, Dallas, Texas.

● **Light Metals Refining Corp., New York (4/15)**

Feb. 15 filed 1,250,000 shares of common stock (par \$1). **Price**—\$4 per share. **Proceeds**—For construction and equipment of control plant, and main plant, working capital, advance royalties and reserves. **Business**—To refine beryllium ore and market the products. **Underwriter**—Philip Gordon & Co., Inc., New York.

★ **Long Island Lighting Co. (4/13)**

March 29 filed 200,000 shares of cumulative preferred stock, series E (par \$100). **Price**—To be supplied by amendment. **Proceeds**—To redeem \$20,000,000 of 5.25% preferred stocks now outstanding. **Underwriters**—W. C. Langley & Co., Blyth & Co., Inc., and The First Boston Corp., all of New York.

★ **Los Angeles Drug Co.**

Jan. 28 filed \$178,000 of 15-year 5% sinking fund debentures, due Oct. 1, 1966, and 50,000 shares of capital stock (no par), the latter to be first offered for subscription by stockholders. **Price**—For debentures, at par; and for stock, \$10 per share. **Proceeds**—To finance expanded merchandise inventory and operating equipment (new building), and for working capital. **Underwriter**—None.

★ **Lucky Stores, Inc., San Leandro, Calif.**

March 25 (letter of notification) 23,000 shares of common stock (par \$1.25) to be offered to employees pursuant to Employees' Incentive Stock Option Plan. **Price**—\$7 per share. **Proceeds**—For working capital. **Office**—1701 First Avenue, San Leandro, Calif. **Underwriter**—None.

★ **Lystad & Redick, Inc., Grand Forks, N. D.**

March 22 (letter of notification) 531 shares of common stock (par \$75) to be offered to employees. **Price**—\$210 per share. **Proceeds**—To acquire shares of common stock held by Estate of Glen Miner, former President of company and to retire outstanding debentures. **Office**—901 University Ave., Grand Forks, N. D. **Underwriter**—None.

★ **Macmillan Co., New York**

March 26 (letter of notification) 1,469 shares of common stock (par \$1). **Price**—At market (around \$24 per share). **Proceeds**—To George P. Brett, Jr., President. **Underwriter**—Hemphill, Noyes & Co., New York.

● **Magnolia Park, Inc. (4/5)**

Jan. 29 filed \$2,500,000 of 6% subordinated convertible debentures due 1969 and 250,000 shares of common stock (par 10 cents) to be offered in units of \$100 of debentures and 10 shares of stock. **Price**—\$101 per unit. **Proceeds**—For construction of racing plant and for expenses incident to racing activities. **Underwriters**—Gearhart & Otis, Inc. and Hunter Securities Corp., both of New York; and T. J. Feibleman & Co., New Orleans, La.

★ **Market Basket, Los Angeles, Calif. (4/5)**

March 15 filed 28,830 shares of common stock (par 50 cents) to be offered for subscription by stockholders of record about April 1, on a one-for-ten basis; rights to expire on April 16. **Price**—To be supplied by amendment. **Proceeds**—For improvements and working capital. **Underwriters**—Bateman, Eichler & Co., The First California Co., Inc., and William R. Staats & Co., all of Los Angeles, Calif.

★ **Massachusetts Life Fund, Boston, Mass.**

March 29 filed 10,000 units of beneficial interest. **Price**—At market. **Proceeds**—For investment.

★ **Mathieson Chemical Corp.**

March 26 filed 350,000 shares of common stock (par \$5) to be offered under the company's restricted stock option plan to certain officers and other key employees of the company and its subsidiaries.

★ **Mediterranean Petroleum Corp., Inc., Republic of Panama**

March 30 filed American voting trust certificates for 1,000,000 shares of common stock (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For exploratory drilling and development, and for operations

Continued on page 44

Continued from page 43

and expenses. Underwriter—To be named by amendment.

#### Meteor Air Transport, Inc.

March 17 (letter of notification) 199,800 shares of class A stock (par \$1). Price—\$1.50 per share. Proceeds—For working capital and purchase of aircraft. Business—A contract air carrier. Office—Teterboro Air Terminal, Teterboro, N. J. Underwriter—Eisele & King, Libaire, Stout & Co., New York.

#### ★ Mission Indemnity Co., Pasadena, Calif.

March 29 filed 600,000 shares of common stock (par 65 cents) to be offered first to stockholders and to general public. Price—\$2 per share. Proceeds—To increase capital and surplus. Underwriter—None.

#### ★ Missouri Public Service Co.

Jan. 14 filed 527,865 shares of common stock (no par) to be offered for subscription by common stockholders on a share-for-share basis (with a 13-day standby). Price—To be supplied by amendment. Proceeds—Together with other funds, to acquire capital stock of Gas Service Co. (a subsidiary of Cities Service Co.). Underwriter—Kidder, Peabody & Co., New York. Statement withdrawn in March, 1954.

#### Monterey Oil Co., Los Angeles, Calif.

Feb. 2 filed 257,338 shares of common stock (par \$1). Price—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. Proceeds—To Lehman Brothers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). Underwriter—None. No general offer planned.

#### ★ Mt. Snow Development Corp., Dover, Vt.

March 23 (letter of notification) 161 shares of common stock (no par). Price—\$1,000 per share. Proceeds—For clearing of land for ski trails, erection of tows and lifts and erection of lodge for ski resort and summer resort. Underwriter—None.

#### ★ Mountain States Telephone & Telegraph Co.

March 5 filed 487,248 shares of capital stock being offered to stockholders of record March 26 on the basis of one new share for each four shares held; rights to expire on April 30. About 86.66% of the presently outstanding stock is owned by American Telephone & Telegraph Co. Price—At par (\$100 per share). Proceeds—To repay advances from parent company and for new construction. Underwriter—None.

#### ★ Mutual Fund of Boston, Inc.

March 29 filed 10,000 shares of capital stock. Price—At market. Proceeds—For investment.

#### Natick Industries, Inc., Natick, Mass.

March 10 (letter of notification) 58,800 shares of common stock (par \$1). Price—\$5 per share. Proceeds—For working capital, etc. Underwriter—J. P. Marto & Co., Boston, Mass.

#### National Fuel Gas Co. (4/12)

March 9 filed \$15,000,000 sinking fund debentures due 1979. Proceeds—To purchase certain shares of subsidiaries, who will use the proceeds to repay bank loans incurred for construction. Underwriters—For any debentures to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. Bids—Tentatively expected to be received up to 11 a.m. (EST) on April 12 at 11 Broad St., New York, N. Y.

#### National Union Fire Insurance Co.

Feb. 26 filed 200,000 shares of capital stock (par \$5) being offered for subscription by stockholders of record March 19 on the basis of one new share for each two shares held; rights to expire on April 19. Price—\$30 per share. Proceeds—To be added initially to the company's general funds to be invested in securities which are qualified as legal investments. Underwriter—The First Boston Corp., New York.

#### New Bristol Oils, Ltd., Toronto, Ont., Canada

Dec. 18 filed 1,000,000 shares of common stock (par \$1). Price—To be related to the bid price of the shares on the Toronto Stock Exchange, with a 20% underwriting commission. Proceeds—For general corporate purposes. Underwriter—To be named by amendment.

#### New England Gas & Electric Association

Dec. 10 filed 32,126 common shares of beneficial interest (par \$8) being offered in exchange for common stock of New Bedford Gas & Edison Light Co. held by minority stockholders on the basis of 4% New England shares for each New Bedford share held. The offer will expire on April 24. Financial Advisor—The First Boston Corp., New York.

#### New Yorker Magazine, Inc.

Feb. 23 (letter of notification) 2,400 shares of common stock (par \$1). Price—\$20.25 per share. Proceeds—To a selling stockholder. Underwriter—Silberberg & Co., New York.

#### North American Uranium & Oil Corp., N. Y. (4/5)

March 1 filed 750,000 shares of common stock (par 10 cents). Price—\$2 per share. Proceeds—For capital expenditures, including payment of balance due on certain claims and properties. Underwriter—Israel & Co., New York.

#### North Shore Music Theater, Inc., Boston, Mass.

Feb. 3 (letter of notification) \$80,000 of 5% notes due Feb. 1, 1974, and 2,000 shares of common stock (par \$10) to be sold in units of \$400 principal amount of notes and 10 shares of stock. Price—\$500 per unit. Proceeds—For actors' equity bond, royalties, land, construction of theater and related expenses. Office—60 State St., Boston, Mass. Underwriter—H. C. Wainwright & Co., Boston, Mass.

#### ★ Northern States Power Co. (Minn.) (4/14)

March 16 filed 1,219,856 shares of common stock (par \$5) to be offered for subscription by common stockholders on the basis of one new share for each 10 shares held on April 15 (with an oversubscription privilege); rights to expire on May 4. Price—To be supplied by amendment. Proceeds—To repay bank loans and for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Smith, Barney & Co.; While, Weld & Co. and Glore, Forgan & Co. (jointly). Bids—Tentatively expected to be received up to 10:30 a.m. (CST) on April 14 at 231 La Salle St., Chicago 4, Ill.

#### Northern States Power Co. (Minn.) (4/20)

March 16 filed 150,000 shares of cumulative preferred stock (par \$100). Proceeds—To repay bank loans and for new construction. Underwriter—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co. Bids—Tentatively expected to be received up to 10:30 a.m. (CST) on April 20.

#### Ohio Power Co. (4/14)

March 12 filed \$20,000,000 of first mortgage bonds due 1984. Proceeds—To repay bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; A. C. Allyn & Co., Inc. and Coffin & Burr, Inc. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). Bids—Tentatively expected to be received up to 11 a.m. (EST) on April 14.

#### Ohio Power Co. (4/14)

March 12 filed 50,000 shares of cumulative preferred stock (par \$100). Proceeds—To repay bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Kuhn, Loeb & Co.; A. C. Allyn & Co. Inc., and Coffin & Burr, Inc. (jointly); Blyth & Co., Inc.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly). Bids—Tentatively expected to be received up to 11 a.m. (EST) on April 14.

#### Onego Corp., Uniontown, Pa.

March 12 (letter of notification) 300,000 shares of common stock. Price—At par (\$1 per share). Proceeds—To repay loan and to develop oil and gas properties. Office—52 East Main Street, Uniontown, Pa. Underwriter—Langley-Howard, Inc., Pittsburgh, Pa.

#### ★ Pan-Israel Oil Co., Inc. of Republic of Panama

March 30 filed American voting trust certificates for 1,000,000 shares of common stock (par one cent). Price—To be supplied by amendment. Proceeds—For exploratory drilling and development, and for operations and expenses. Underwriter—To be named by amendment.

#### ★ Paradox Uranium Mining Corp.

March 22 (letter of notification) 2,000,000 shares of common stock (par one cent). Price—15 cents per share. Proceeds—For mining expenses. Office—808 Rood Ave., Grand Junction, Colo. Underwriter—Tellier & Co., Jersey City, N. J.

#### ★ Pennsylvania Gas Co.

Feb. 25 (letter of notification) 17,526 shares of capital stock (no par) being offered for subscription by minority stockholders of record March 19 on basis of one new share for each 12½ shares held; rights to expire on April 26. National Fuel Gas Co., majority stockholder, will subscribe for an additional 28,554 shares. Price—\$15 per share. Proceeds—For acquisition and working capital. Office—Warren, Pa. Underwriter—None.

#### Pennsylvania Power & Light Co. (4/5)

March 12 filed 704,917 shares of common stock (no par) to be offered for subscription by common stockholders of record April 2 at the rate of one new share for each seven shares held; rights to expire on April 19. Price—To be supplied by amendment. Proceeds—To repay bank loans and for new construction. Underwriters—The First Boston Corp., New York, and Drexel & Co., Philadelphia, Pa.

#### People's Finance Corp., Denver, Colo.

March 23 filed \$300,000 of 6% 15-year convertible subordinated debentures. Price—100% of principal amount. Proceeds—For general corporate purposes, probably to reduce outstanding bank loans or repurchase of outstanding securities. Underwriter—Paul C. Kimball & Co., Chicago, Ill.

#### People's Finance Corp., Denver, Colo.

March 23 filed 2,904 shares of 6% cumulative preferred stock. Price—At par (\$50 per share). Proceeds—For general corporate purposes. Underwriter—None. Company is also seeking registration of \$164,000 of debentures, notes and preferred and common stock heretofore sold and holders thereof are to be offered the right to rescind their purchases.

#### ★ Personal Book Shop, Inc., Boston, Mass.

March 24 (letter of notification) 1,500 shares of 7% cumulative preferred stock. Price—At par (\$100 per share). Proceeds—For working capital. Office—131 Clarendon St., Boston, Mass. Underwriter—None.

#### ★ Public Service Co. of New Mexico (4/6)

March 17 filed 138,551 shares of common stock (par \$5) to be offered for subscription by common stockholders of record April 1 at the rate of one new share for each 10 shares held; rights to expire on April 15. Price—To be supplied by amendment. Proceeds—For construction program. Underwriter—Allen & Co., New York.

#### ★ Putnam (George) Fund of Boston

March 29 filed 500,000 shares of beneficial interest. Price—At market. Proceeds—For investment.

#### ★ Reed Rolled Thread Die Co.

March 19 (letter of notification) \$250,000 of debentures. Price—At par (in units of \$100 each). Proceeds—To retire loans and for working capital. Office—791 Main St., Holden, Mass. Underwriter—None.

#### ★ Rittenhouse Fund, Philadelphia, Pa.

March 30 filed 100,000 participating units. Price—At market. Proceeds—For investment.

#### Safeway Stores, Inc., Oakland, Calif. (4/6)

March 17 filed 268,740 shares of cumulative convertible preferred stock (par \$100) to be offered for subscription by common stockholders at rate of one preferred share for each 13 shares of common stock held on April 5; rights to expire April 21. Price—To be supplied by amendment. Proceeds—To repay bank loans and for working capital. Underwriter—Merrill Lynch, Pierce, Fenner & Beane, New York.

#### Scurry-Rainbow Oil Ltd., Calgary, Alta., Canada

Feb. 15 filed 4,700,416 shares of capital stock (par 50 cents) being offered in exchange for the 2,670,000 shares of Scurry Oils Ltd. stock on a share-for-share basis, and in exchange for the 534,320 shares of Rainbow Oil Ltd. stock on a basis of 3.8 shares of Scurry-Rainbow stock for each Rainbow Oil share. The offer expires April 5. Underwriter—None.

#### ★ Signature Loan Co., Inc. (4/2-5)

March 5 filed 58,916 shares of 7% cumulative convertible preferred stock (par \$11) to be offered in exchange for outstanding participating preferred stock held at close of business March 25 on basis of two new shares of 7% stock for each old participating preferred share held. Subject to prior right of exchange, 47,806 shares of the new preferred are to be purchased by the below named underwriters and reoffered to public. Price—\$11.50 per share. Proceeds—To retire participating preferred stock. Underwriters—Simon, Strauss & Himme, New York; William N. Pope, Inc., Syracuse, N. Y.; and Chace, Whiteside, West & Winslow, Inc., Boston, Mass. Change in Name—Company was formerly known as Federal Loan Co. of Pittsfield, Inc.

#### ★ Signature Loan Co., Inc. (4/2-5)

March 5 filed 29,458 shares of convertible preferred stock (par \$11) and 29,458 shares of class A common stock (par \$1) to be offered to holders of participating preferred stock in units of one share of each class of stock on the basis of one unit for each participating preferred share held as of record March 25. Company was formerly Federal Loan Co. of Pittsfield, Inc. Price—\$15 per unit to stockholders and \$15.50 per unit to public. Proceeds—For expansion and working capital. Underwriters—Simon, Strauss & Himme and A. M. Kidder & Co., both of New York; William N. Pope, Inc., Syracuse, N. Y.; Chace, Whiteside, West & Winslow, Inc. and Draper, Sears & Co., both of Boston, Mass.; and Chilson, Newbery & Co., Kingston, N. Y.

#### Somerset Telephone Co.

Feb. 25 (letter of notification) 5,600 shares of preferred stock. Price—At par (\$5 per share). Proceeds—To establish three dial exchanges. Office—Norridgewock, Maine. Underwriters—E. H. Stanley & Co. and Clifford J. Murphy Co., of Waterville, Maine.

#### ★ Southern Indiana Gas & Electric Co.

March 5 filed 114,166 shares of common stock (no par) being offered for subscription by common stockholders of record March 24 on the basis of one new share for each seven shares held; rights to expire on April 8. Price—\$25.25 per share. Proceeds—To repay bank loans and for new construction. Underwriters—Smith, Barney & Co., New York.

#### Southern Indiana Gas & Electric Co. (4/13)

March 5 filed \$8,000,000 first mortgage bonds due April 1, 1984. Proceeds—To repay bank loans and for construction program. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co.; Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Blair, Rollins & Co. Inc. Bids—To be received up to 11 a.m. (EST) on April 13 at office of Commonwealth Services, Inc., 20 Pine Street, New York, N. Y.

#### Spokane Seed Co., Spokane, Wash.

March 8 filed \$600,000 of 5% convertible debentures due June 15, 1964, to be sold to pea growers located in Eastern Washington and Northern Idaho. Price—100% of principal amount. Proceeds—To improve facilities and for working capital. Underwriter—None.

#### ★ Standard Uranium Corp., Moab, Utah (4/14-15)

March 15 filed 1,430,000 shares of common stock (par one cent). Price—\$1.25 per share. Proceeds—To exercise options on claims, and for general corporate purposes. Underwriters—Gearhart & Otis, Inc., New York, and Crierie & Co., Houston, Tex.

#### ★ Stanley Aviation Corp. (New York)

March 24 (letter of notification) \$70,000 of preferred and common stock to be issued in units of one share of preferred and 10 shares of common stock (par 10 cents) at \$101 per unit. Proceeds—For working capital. Office—Buffalo 25, N. Y. Underwriter—None.

#### Strevell-Paterson Finance Corp.

Feb. 19 filed 640,000 shares of common stock (par 50 cents) to be offered in exchange for the \$300,000 par value of authorized, issued and outstanding capital stock of Strevell-Paterson Finance Co. on the basis (a) of 13 shares of Corporation stock for each of the 5,000 shares of 5% cumulative preferred stock (par \$10) of the Company and (b) 23 shares of Corporation stock

for each of the 25,000 shares of \$10 par common stock of the company. **Underwriter**—None. **Office**—Salt Lake City, Utah.

★ **Strickland (John L.) Co., Baltimore, Md.**

March 25 (letter of notification) \$50,000 of 6% debentures due April 1, 1959. **Price**—At par. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ **Super Valu Stores, Inc., Hopkins, Minn. (4/8)**

See Winston & Newell Co., below.

★ **Swartwout Co., Cleveland, Ohio**

March 24 (letter of notification) 3,230 shares of class A stock (par \$1) to be offered to employees pursuant to Employees' Stock Purchase Plan. **Price**—\$15.45 per share. **Proceeds**—For general corporate purposes. **Office**—18511 Euclid Ave., Cleveland, O. **Underwriter**—None.

★ **Telephone Bond & Share Co., Wilmington, Del.**

March 31 filed 325,000 shares of common stock (par \$1) to be offered for subscription by stockholders on the basis of one new share for each two shares held. **Price**—To be supplied by amendment. **Proceeds**—For financing of company's subsidiaries. **Underwriter**—May be named by amendment.

★ **Temco Aircraft Corp. (4/19-20)**

March 30 filed 300,000 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Proceeds**—To three selling stockholders. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ **Texas Southern Oil & Gas Co.,**

March 15 (letter of notification) 200,000 shares of common stock (par 25 cents). **Price**—\$1.50 per share. **Proceeds**—For payment to Warlit Oil Corp. and for working capital. **Office**—Wilson Tower Building, Corpus Christi, Texas. **Underwriter**—Barrett Herrick & Co., Inc., New York.

★ **Texas Utilities Co. (4/13)**

March 15 filed 250,000 shares of common stock (no par). **Proceeds**—For investment in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on April 13, 1954.

★ **Textron Incorporated, Providence, R. I.**

Feb. 8 filed 195,668.4 shares of 4% preferred stock, series B (par \$100) and 489,171 shares of common stock (par 50 cents) to be offered to holders of the 978,342 shares of common stock of American Woolen Co. on the basis of one-fifth of a share of preferred and one-half share of common stock plus \$5 in cash for each American Woolen common share. The offer will expire April 5, unless extended. **Dealer-Manager**—Blair, Rollins & Co. Inc., New York.

★ **Trip-Charge, Inc., Pittsburgh, Pa.**

March 17 (letter of notification) 22,428 shares of 7% preferred stock (par \$10) and 7,476 shares of common stock (par \$1) to be offered in units of three preferred shares and one common share. **Price**—\$33 per unit. **Proceeds**—For expansion and working capital. **Business**—Credit cards. **Office**—Fifth and Hamilton, Pittsburgh 6, Pa. **Underwriter**—None. Common stockholders will have preemptive right to subscribe for units of one share of each class of stock at \$12.50 per unit.

★ **United Funds, Inc., Kansas City, Mo.**

March 29 filed 500,000 of United Income Fund shares, 500,000 of United Continental Fund shares, 1,000,000 of United Accumulative Fund shares and \$20,000,000 of period investment plans for purchase of United Accumulative Fund shares. **Price**—At market. **Proceeds**—For investment.

★ **United Gas Corp., Shreveport, La.**

March 29 filed \$3,500,000 of participations in the Employees' Stock Purchase Plan of this company and its subsidiaries, United Gas Pipe Line Co. and Union Producing Co.; and 125,000 shares of common stock of United Gas Corp. which may be purchased pursuant to the plan.

★ **Utah Power & Light Co. (4/28)**

Feb. 16 filed \$15,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively expected to be received up to noon (EDT) on April 28 in Room 2033, Two Rector St., New York, N. Y.

★ **Value Line Fund, Inc., N. Y.**

March 30 filed 400,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ **Value Line Income Fund, Inc., N. Y.**

March 30 filed 2,600,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ **Vulcanized Rubber & Plastics Co.**

March 23 (letter of notification) 3,540 shares of common stock (no par) to be offered on April 5 to stockholders of record March 30 on a basis of one new share for each two shares of preferred or common stock held; rights to expire on April 19. **Price**—\$25 per share. **Proceeds**—To purchase two injection molding presses and for working capital. **Office**—261 Fifth Ave., New York 16, N. Y. **Underwriter**—None.

★ **Wall Street Investing Corp., New York**

March 30 filed 100,000 shares of capital stock. **Price**—At Market. **Proceeds**—For investment.

★ **West Coast Pipe Line Co., Dallas, Tex.**

Nov. 20, 1952 filed \$29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one \$50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of \$55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

★ **West Coast Pipe Line Co., Dallas, Tex.**

Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

★ **West Penn Power Co. (4/20)**

March 25 filed \$12,000,000 first mortgage bonds, series P, due April 1, 1984. **Proceeds**—For construction program of company and its subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; W. C. Langley & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected up to 11 a.m. (EST) on April 20.

★ **West Texas Utilities Co. (4/8)**

March 15 filed 60,000 shares of cumulative preferred stock (par \$100), of which 47,370 shares are to be first offered in exchange for outstanding \$6 cumulative preferred stock on a share-for-share basis. **Proceeds**—To redeem \$6 preferred stock and to finance new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; Union Securities Corp.; Lehman Brothers; Stone & Webster Securities Corp.

★ **West View Shores Enterprises, Inc.**

March 15 (letter of notification) 960 shares of common stock (par \$1). **Price**—\$100 per share. **Proceeds**—For improvement of property, etc. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—None.

★ **Western Kentucky Gas Co. (4/7)**

March 17 filed 125,000 shares of common stock (par \$5), of which 50,000 shares are for the account of the company and 75,000 shares for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To pay outstanding loans and for new construction. **Office**—Owensboro, Ky. **Underwriters**—Equitable Securities Corp., Nashville, Tenn., and J. J. B. Hilliard & Son, Louisville, Ky.

★ **Winston & Newell Co., Hopkins, Minn. (4/8)**

March 19 filed 12,000 shares of 5.40% cumulative preferred stock (par \$50). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—J. M. Dain & Co., Piper, Jaffray & Hopwood and Woodward-Elwood & Co., all of Minneapolis, Minn. **Change in Name**—In April, 1954, name will be changed to Super Valu Stores, Inc.

★ **Wisconsin Investment Co., Milwaukee, Wis.**

March 25 filed \$18,000,000 of sinking fund debentures due to be offered at market. **Proceeds**—For investment.

★ **York Corp., York, Pa. (4/15)**

March 25 filed \$18,000,000 of sinking fund debentures due 1974 and 220,000 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Proceeds**—To retire an unspecified amount of first mortgage bonds and bank loans, for expansion and working capital. **Business**—Manufactures air conditioning and refrigeration equipment. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York.

## Prospective Offerings

★ **Alabama Gas Corp.**

March 1 it was announced stockholders will vote April 20 on approving an increase in the authorized common stock (par \$2) from 1,000,000 to 2,000,000 shares. Southern Natural Gas Co., parent, owns about 99% of the presently outstanding common stock. There are no plans for immediate financing. **Underwriter**—None.

★ **Allis-Chalmers Manufacturing Co. (5/6)**

March 23 the company announced it is preparing a \$50,000,000 financing program which will include the issuance and sale of 350,000 shares of new \$100 par convertible preferred stock (carrying a dividend rate between 3 3/4% and 4 1/4%) and \$15,000,000 of debentures or notes. **Proceeds**—To be added to general funds. **Meeting**—Stockholders will vote May 5 on a proposal to increase the authorized preferred stock (par \$100) from 259,481 shares (118,854 shares outstanding) to 618,854 shares. **Underwriter**—Previous financing was underwritten by Blyth & Co., Inc., New York. **Registration**—Of preferred expected about April 15. Debt financing may be private.

★ **American Natural Gas Co.**

March 11 it was announced stockholders will vote April 28 on increasing the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders. **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

★ **Arkansas Louisiana Gas Co.**

Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

★ **Arkansas Power & Light Co.**

Feb. 8 it was reported company plans to sell, probably in August, an issue of about \$7,500,000 first mortgage bonds due 1984. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

★ **Baltimore & Ohio RR.**

One bid was received by the Secretary of Reconstruction Finance Corporation, 811 Vermont Ave., N. W., Washington 25, D. C., on March 15 for the purchase from the RFC of all or any part of \$65,000,000 collateral trust 4% bonds, series A, due Jan. 1, 1965 of this railroad. This bid of 85 1/2 and accrued interest made by Bear, Stearns & Co. was rejected.

★ **Bank of Virginia, Richmond, Va. (4/7-8)**

March 29 it was announced that within the next two weeks an offering of 207,000 shares of capital stock (par \$10) will be made out of a total outstanding issue of 360,000 shares. **Price**—None has been set, but it has been determined that it will be within the range of 20 1/4 and 20 1/2. **Proceeds**—To The Morris Plan Corp. of America. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

★ **Boston Edison Co.**

Feb. 15 it was announced company plans to issue and sell about \$15,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Offering**—Tentatively expected in June.

★ **Carrier Corp.**

Feb. 23 stockholders approved a proposal to increase the authorized common stock (par \$10) from 1,600,000 shares to 5,000,000 shares and the authorized preferred stock (par \$50) from 181,855 shares to 800,000 shares to provide for further possible financing. **Proceeds**—For expansion, etc. **Underwriters**—Harriman Ripley & Co. Inc. and Hemphill, Noyes & Co.

★ **Central Hudson Gas & Electric Corp.**

March 8 it was announced issues of mortgage bonds and preferred stock are now under consideration, but definite plans will depend largely upon developments in the securities markets. Construction cash requirements are estimated at \$17,300,000 for 1954-1955. Company is reported to be considering the issuance of about \$9,000,000 bonds this fall and \$3,500,000 of preferred stock in 1955. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Central Illinois Electric & Gas Co.**

Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of \$4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

★ **Chicago Great Western Ry.**

Feb. 26, the ICC dismissed the company's application for exemption of an issue of \$6,000,000 collateral trust bonds due Nov. 1, 1978 from competitive bidding. **Proceeds**—To repay bank loans and for capital improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. On April 23, last year, the road rejected the only bid made of 98.05% for a 5 3/4% coupon by Halsey, Stuart & Co. Inc. and Union Securities Corp. (jointly).

★ **Chicago & North Western Ry.**

Bids will be received by the company up to noon (CST) on April 15 at 400 West Madison St., Chicago, Ill., for the purchase from it of \$4,695,000 equipment trust certificates to be dated May 1, 1954 and to mature in 15 equal annual instalments to May 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

★ **Claussen Bakeries, Inc., Augusta, Ga. (4/20)**

March 16 it was reported company plans to sell 225,000 shares of common stock. **Proceeds**—For working capital. **Underwriter**—Johnson, Lane, Space & Co., Savannah, Ga. **Registration**—Expected March 31.

★ **Cleveland Electric Illuminating Co. (5/6)**

March 15 it was reported that company plans to issue and sell around \$20,000,000 of first mortgage bonds due 1989. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Blyth & Co., Inc. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Glore, Forgan & Co.; The First Boston Corp.; Dillon, Read & Co. Inc. **Bids**—Tentatively expected May 6.

★ **Colonial Fund, Inc.**

March 12 it was reported that, in connection with proposal to mutualize this Fund, a block of capital stock may be offered publicly through Stone & Webster Securities Corp., New York, and associates.

★ **Colorado-Western Pipeline Co.**

March 5 it was announced company has applied to Colorado P. U. Commission for authority to build a \$21,500,000 natural gas pipe line, in Colorado, to be financed through sale of about 70% of bonds and 30% of equity capital. John R. Fell, a partner of Lehman Brothers, is a Vice-President.

Continued on page 46

Continued from page 45

**Columbia Gas System, Inc.**

March 5 it was announced that company plans early in June to issue and sell \$40,000,000 of senior debentures and an additional \$40,000,000 of senior debentures later in 1954. **Proceeds**—For construction expenses and to repay a bank loan of \$25,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

**Commonwealth Edison Co.**

March 22 it was reported that the company is understood to be considering the sale of \$50,000,000 of bonds in May. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.

**Consolidated Edison Co. of New York, Inc. (5/11)**

March 22 company applied to New York P. S. Commission for authority to issue and sell \$50,000,000 of first and refunding mortgage bonds, series K, due 1984. **Proceeds**—To redeem outstanding New York Steam Corp. and Westchester Lighting Co. bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received on May 11.

**Consolidated Natural Gas Co. (5/25)**

Jan. 27 it was reported company plans to issue and sell \$25,000,000 of debentures due 1979. **Proceeds**—To purchase stock of company's operating subsidiaries, who in turn will apply these proceeds for construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and The First Boston Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on May 25.

**★ Delaware Power & Light Co.**

March 27 it was announced company plans to issue and sell \$10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); W. C. Langley & Co. **Registration**—Expected about April 6.

**Duquesne Light Co.**

March 8, Philip A. Fleger, Chairman, stated that about \$24,000,000 of new capital will be required during 1954 and that plans for obtaining the necessary funds will be announced in the near future. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co.; Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); Harriman, Ripley & Co., Inc. (2) For common stock—Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blyth & Co. Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Stone & Webster Securities Corp.; The First Boston Corp. and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly).

**Eastern Utilities Associates**

March 8 it was announced company plans the sale not later than Oct. 1, 1954 of about \$2,000,000 of common stock, probably first to stockholders. **Proceeds**—To repay bank loan.

**Empire District Electric Co.**

March 16 it was reported company plans the sale about the middle of 1954 of not over 40,000 shares of preferred stock, if market conditions are favorable. **Proceeds**—About \$4,000,000 to be used for construction program. **Underwriters**—The First Boston Corp., New York; and G. H. Walker & Co., St. Louis, Mo.

**First National Bank of Portland (Ore.)**

Feb. 23 stockholders approved a proposal to issue and sell to stockholders of record Feb. 26 a total of 400,000 additional shares of \$12.50 par value capital stock on the basis of one new share for each three shares held; rights to expire on April 15. **Price**—\$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Unsubscribed shares to be purchased by Transamerica Corp.

**First National Bank of Toms River, N. J. (5/14)**

Jan 12 it was announced bank plans to offer for subscription by its stockholders of record May 1, 1954, an additional 3,000 shares of capital stock (par \$10) on the basis of one new share for each 26 shares held; rights to expire on June 16. **Price**—\$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

**★ Florida Power Corp.**

March 25 stockholders voted to increase the authorized preferred stock from 250,000 to 500,000 shares and the common stock from 2,500,000 to 5,000,000 shares. **Underwriters**—Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

**Florida Power & Light Co.**

Jan. 25 it was reported company may later this year issue and sell about \$15,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

**Foot Mineral Co., Philadelphia, Pa.**

Feb. 20 it was announced stockholders will vote April 22 on increasing the authorized common stock (par \$2.50) from 500,000 shares to 1,000,000 shares. There are presently 276,088 shares outstanding and an additional 43,217 shares are reserved for conversion of debentures and the remaining 180,695 shares are available for the employees' stock bonus plan. The proposed increase in capitalization is necessary to provide additional shares to finance the continued growth of the company, or if it seems advisable for stock dividends or a stock split. **Underwriter**—Estabrook & Co., New York and Boston.

**General Acceptance Corp. (4/27)**

March 22 it was reported company plans registration, probably next week, of \$4,000,000 convertible debentures due 1984 (with warrants). **Underwriter**—Paine, Webber, Jackson & Curtis. **Registration**—Expected in about a week.

**General Public Utilities Corp. (5/17)**

March 8 it was announced company plans to offer about 606,576 additional shares of common stock (par \$5) to stockholders on the basis of one new share for each 15 shares held on or about May 15; rights to expire June 2. **Price**—To be determined just prior to the offering date. **Proceeds**—To be invested in the domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent.

**Granby Consolidated Mining, Smelting & Power Co., Ltd.**

March 23 it was announced that the company may find it necessary to sell a bond issue or to issue the balance of its unissued common shares, of which there are 149,739.35 of \$5 par value. As the company's shares are now selling on the New York Stock Exchange at about \$7.50 per share it is necessary that stockholders on April 13 approve issuance of the unissued shares before they can be sold at a premium. **Proceeds**—To be used for financing Granduc Mines, Ltd., in which Granby owns an interest.

**Gulf Insurance Co., Dallas, Texas (4/12)**

Feb. 15, T. R. Mansfield, President, announced that company plans to offer to its stockholders of record April 12 the right to subscribe for 5,000 additional shares of capital stock (par \$10) on a pro rata basis. **Price**—Not exceeding \$55 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—None.

**Hewitt-Robins, Inc.**

March 23 stockholders approved an authorized issue of 50,000 shares of cumulative preferred stock (par \$50), of which it is planned to market immediately 25,000 shares. **Proceeds**—For expansion and working capital. **Underwriter**—F. Eberstadt & Co., Inc., New York.

**Indiana & Michigan Electric Co.**

Jan. 27 it was announced company plans to sell around November, 1954, an issue of about \$16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par \$100). **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp.; Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp.

**Jersey Central Power & Light Co.**

Dec. 16 it was reported company tentatively plans to issue and sell in 1954 about \$6,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers.

**Kansas City Power & Light Co.**

March 8 it was announced that company may sell in the latter part of 1954 \$16,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp. **Meeting**—Stockholders will vote April 27 on approving new financing.

**★ Kansas-Nebraska Natural Gas Co., Inc. (5/3)**

March 24 it was reported company plans to issue and sell 10,000 shares of 5% cumulative preferred stock (par \$100) and 85,909 shares of common stock (latter to stockholders on a 1-for-10 basis). **Proceeds**—For expansion program. **Underwriters**—The First Trust Co. of Lincoln, Neb.; and Crutenden & Co., Chicago, Ill.

**★ Koppers Co., Pittsburgh, Pa.**

March 29 stockholders voted to increase the authorized common stock from 2,000,000 shares (1,867,125 shares outstanding) to 3,000,000 shares. There are no immediate plans to issue any of the additional stock. **Underwriter**—The First Boston Corp., New York.

**Long Island Lighting Co.**

March 4 it was announced company plans later this year to issue additional common stock and mortgage bonds to finance its construction program, which will require about \$70,000,000 additional financing. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co. **Underwriters** for common stock may be Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co. and associates.

**Louisville & Nashville RR.**

Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire \$24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

**Metropolitan Edison Co.**

Dec. 16 it was reported company may sell in 1954 about \$3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

**Montana-Dakota Utilities Co.**

March 17 it was reported that company plans to issue and sell late this year some additional first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

**★ Montana Power Co. (5/4)**

March 22 it was reported planned to register about March 31 \$6,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co., Smith, Barney & Co., Blyth & Co., Inc. and Lee Higginson Corp. (jointly); Union Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 4.

**★ Montana Power Co. (5/4)**

March 22 it was reported company about March 31 intended to register with the SEC 60,000 shares of cumulative preferred stock (par \$100). **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: White, Weld & Co.; Lehman Brothers; Union Securities Corp.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on May 4.

**★ Montana Power Co. (5/12)**

March 22 it was reported the company about March 31 intended to register with the SEC \$18,000,000 of debentures due 1979. **Proceeds**—To refund a like amount of 4% debentures due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers; Kidder, Peabody & Co., Smith, Barney & Co., Blyth & Co., Inc. and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on May 12.

**Montreal Transportation Commission**

March 22 it was reported Commission may issue and sell around \$30,000,000 to \$35,000,000 bonds for refunding purposes. **Underwriter**—If through competitive bidding, probable bidders will include: Shields & Co., Halsey, Stuart & Co. Inc. and Savard & Hart (jointly); Kuhn, Loeb & Co., Glore, Forgan & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; White, Weld & Co., Union Securities Corp., and Blyth & Co., Inc. (jointly); Dominion Securities Corp.

**New Jersey Bell Telephone Co. (5/5)**

Feb. 19 the company petitioned the New Jersey P. U. Commission for permission to issue and sell in May \$25,000,000 of debentures and \$75,000,000 of capital stock (the latter to American Telephone & Telegraph Co.) **Proceeds**—To finance construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on May 5.

**New Jersey Power & Light Co.**

Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about \$3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

**New Orleans Public Service Inc.**

Feb. 8 it was reported company plans to offer for sale \$6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

**New York State Electric & Gas Corp.**

Feb. 3 company sought authority from the New York P. S. Commission to sell an issue of \$5,000,000 par value of preferred stock early this spring. It is also planned to issue and sell in the spring \$20,000,000 of first mortgage bonds. Previous financing was done privately.

**Northern Illinois Gas Co.**

March 12 it was announced directors have authorized a public offering, subject to market conditions, of 400,000 shares of common stock about May 1. **Proceeds**—For construction program. **Underwriters**—The First Boston Corp. and Glore, Forgan & Co., both of New York.

★ **Northern Natural Gas Co.**

March 29 it was reported company plans to issue and sell \$24,000,000 of sinking fund debentures due 1974 and about \$13,000,000 of common stock, to repay bank loans and for new construction. **Underwriter**—Blyth & Co., Inc., New York, and San Francisco.

★ **Northern States Power Co. (Minn.)**

Feb. 8 it was reported company is planning the issuance and sale of approximately \$20,000,000 of first mortgage bonds due 1984 in October of 1954. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

★ **Ogden Corp., New York**

March 19 it was announced stockholders on April 1 will vote authorizing an issue of \$20,000,000 debentures and 300,000 shares of preferred stock (par \$50) and increase the authorized common stock from 3,404,135 shares to 5,500,000 shares. **Proceeds**—To complete certain acquisitions and to repay short-term borrowings. **Underwriter**—May be Allen & Co., New York.

★ **Pennsylvania Glass Sand Corp.**

Feb. 26 it was announced stockholders will vote April 27 on increasing the authorized common stock from 740,000 shares to 1,000,000 shares. No immediate plans to issue any of the additional stock have been announced. **Underwriters**—Harriman Ripley & Co. Inc., and Smith, Barney & Co., New York.

★ **Public Service Co. of Colorado**

Oct. 13 it was reported company is planning to float an issue of \$15,000,000 first mortgage bonds, due 1984, early in 1954. **Proceeds**—For financing, in part, a \$17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

★ **Public Service Electric & Gas Co. (5/26)**

Jan. 27, G. H. Blake, President, announced that a \$50,000,000 financing program is expected in the Spring. The type of securities to be issued is still undetermined but some form of debt financing is indicated (probably first and refunding mortgage bonds due 1984). **Underwriters**—For any bonds will be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); The First Boston Corp. **Bids**—Tentatively expected on May 26.

★ **Riddle Airlines, Inc.**

Jan. 7 it was reported company plans to file a letter of notification soon to issue an aggregate value of up to \$300,000 of new securities. **Underwriter**—Eisele & King Libaire, Stout & Co., New York.

★ **St. Joseph Light & Power Co.**

March 30, C. A. Semrad, President, announced that the company may raise new money this year through the sale of \$1,000,000 first mortgage bonds or from temporary bank loans for its 1954 construction program, which, it is estimated, will cost \$1,661,000. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co.,

and Glore, Forgan & Co. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.

★ **Scott Paper Co.**

Feb. 23 it was announced stockholders will vote April 27 on increasing the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from \$25,000,000 to \$50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of \$24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

★ **Scudder Fund of Canada, Ltd.**

Jan. 29 it was announced company intends to make an initial public offering of its common shares in the United States to realize at least \$5,000,000.

★ **Southwestern Development Co.**

Jan. 18 it was announced that Sinclair Oil Corp. will receive 769,722 shares of Pioneer Natural Gas Co. stock under plan of distribution of Southwestern's assets to be voted upon Feb. 15. **Underwriter**—Union Securities Corp., New York, underwrote sale of Sinclair's holdings in Colorado Interstate Gas Co.

★ **Southwestern Gas & Electric Co.**

March 8 it was announced company plans to issue and sell in September, 1954, \$10,000,000 first mortgage bonds. **Proceeds**—To refund bank loan of \$7,500,000 and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc.; The First Boston Corp.

★ **Tennessee Gas Transmission Co.**

Jan. 27 it was reported company plans issuance and sale of \$20,000,000 of debentures in April or May and \$25,000,000 of first mortgage pipe line bonds in July. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

★ **Texas Eastern Transmission Corp.**

March 5 it was announced stockholders will vote April 27 on increasing the authorized common stock from 7,500,000 shares to 10,000,000 shares. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ **Toledo Edison Co.**

March 3 it was announced stockholders will vote April 20 on increasing the authorized cumulative preferred stock from 300,000 shares to 500,000 shares. **Underwriters**—The First Boston Corp., New York, and Collin, Norton & Co., Toledo, Ohio.

★ **Transcontinental Gas Pipe Line Corp.**

March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about \$11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

★ **Tri-Continental Corp.**

March 30 stockholders voted to reclassify 500,000 shares of presently authorized but unissued \$6 cumulative preferred stock, without par value, into 1,000,000 shares of a new class of preferred stock, \$50 par value, making

possible a refunding of the outstanding \$6 preferred stock at an appropriate time, when conditions warrant. **Underwriter**—Union Securities Corp., New York.

★ **Union Oil Co. of California**

March 8 it was announced stockholders on April 13 will vote on increasing the authorized common stock from 7,500,000 shares to 15,000,000 shares. The company said it has no immediate plans to market the additional shares. **Underwriters**—Dillon, Read & Co., New York.

★ **Virginia Electric & Power Co. (5/18)**

March 17 it was reported company plans to issue and sell \$25,000,000 first refunding mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp.; White, Weld & Co.; Union Securities Corp.; Salomon Bros. & Hutzler. **Bids**—Expected to be received on May 18. **Registration**—Tentatively scheduled for about April 19.

★ **West Coast Telephone Co.**

Feb. 6 it was announced California P. U. Commission has authorized company to issue 20,000 shares of common stock (par \$25). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

★ **West Texas Utilities Co.**

March 8 it was announced company plans to refund its \$5,500,000 bank loan in the Spring of 1955 through the issuance and sale of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Kidder, Peabody & Co.; The First Boston Corp.

★ **Western Pacific RR. Co.**

March 10 company applied to the ICC for exemption from competitive bidding on its proposed \$22,500,000 debenture issue. The 30-year 5% income securities, would be offered in exchange for 225,000 of \$100 par preferred stock, of the more than 300,000 shares outstanding. The company plans to offer \$100 of debentures, one-fifth of a share of common, and an undetermined cash payment for each share of preferred stock and then redeem the then remaining outstanding 83,211 shares of preferred stock.

★ **Wisconsin Electric Power Co.**

March 24 it was reported company plans to issue and sell \$20,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane.

★ **Wisconsin Electric Power Co.**

March 24 it was reported company plans to offer to its common stockholders of record about April 28 an additional 421,492 shares of common stock (par \$10) on a 1-for-10 basis (with an oversubscription privilege). **Proceeds**—For new construction. **Underwriter**—None.

Continued from page 8

## NSTA Notes

transportation to and from Fresno, two nights lodging, meals—a milk punch breakfast Saturday morning and a cocktail party Saturday evening—for a blanket charge of \$25. This charge has been held to an absolute minimum to promote as large an attendance as possible.

Reservations may be sent to Richard Payne at Walter C. Gorey & Co. in San Francisco or James Fraser of Stern, Frank, Meyer & Fox, Los Angeles.

## SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. Bowling League standing as of March 25, 1954 is as follows:

Team:	Points
Leone (Capt.), Nicman, Gannon, Tisch, Greenberg.....	28½
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel.....	27½
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten.....	27½
Donadio (Capt.), Craig, Gronick, Bies, Demaye.....	25
Bean (Capt.), Bass, Valentine, Eiger, Bradley.....	25
Burian (Capt.), Gavin, Clemence, Montanye, Whiting.....	25
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Heghan.....	24½
Klein (Capt.), Fredericks, Murphy, Weseman, Mewing.....	23
Growney (Capt.), Corby, Siegel, Voccolli, Lienhardt.....	21½
Krisam (Capt.), Pollack, Cohen, Smith, Strauss, Define.....	20
Hunter (Capt.), Brown, Alexander, Farrell, Barker.....	12
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King.....	10½

## 200 Point Club

Hank Gersten ..... 235  
(Oscar Gruss & Sons)

## 5 Point Club

Hank Gersten  
Roy Klein

## Hugh J. Devlin

Hugh J. Devlin, associated with Barrett Herrick & Co., New York City, passed away on March 23.

## DIVIDEND NOTICES

## COMBUSTION ENGINEERING, INC.

## Dividend No. 202

A quarterly dividend of seventy-five cents (75c) per share on all the outstanding stock of the Company has been declared payable April 28, 1954 to stockholders of record at the close of business April 14, 1954.

OTTO W. STRAUSS  
Vice President and Treasurer

OTIS  
ELEVATOR  
COMPANY

## COMMON DIVIDEND No. 188

A dividend of \$.62½ per share on the no par value Common Stock has been declared, payable April 30, 1954, to stockholders of record at the close of business on April 2, 1954. Checks will be mailed.

H. R. FARDWELL, Treasurer  
New York, March 24, 1954.

## DIVIDEND NOTICES

## THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., March 25, 1954.  
The Board of Directors has this day declared a dividend of One Dollar and Twenty-five Cents (\$1.25) per share, being Dividend No. 166, on the Common Capital Stock of this Company, payable June 1, 1954, to holders of said Common Capital Stock registered on the books of the Company at the close of business April 30, 1954.  
D. C. WILSON, Assistant Treasurer,  
120 Broadway, New York 5, N. Y.

## GOOD YEAR

## DIVIDEND NOTICE

The Board of Directors has declared today the following dividends:

\$1.25 per share for the second quarter of 1954 upon the \$5 Preferred Stock, payable June 15, 1954, to stockholders of record at the close of business May 17, 1954.

75 cents per share upon the Common Stock, payable June 15, 1954, to stockholders of record at the close of business May 17, 1954.

The Goodyear Tire & Rubber Co.  
By Arden E. Firestone, Secretary  
Akron, Ohio, March 29, 1954

The  
Greatest  
Name  
in Rubber

## DIVIDEND NOTICES

DAYSTROM  
Incorporated, Elizabeth, N. J.

## DIVIDEND NOTICE

The Directors of Daystrom, Incorporated, on March 23, 1954, declared a regular quarterly dividend of 25 cents per share, payable May 15, 1954, to holders of record April 27, 1954.

## ★ Operating Units ★

DAYSTROM FURNITURE DIVISION  
DAYSTROM INSTRUMENT DIVISION  
DAYSTROM ELECTRIC CORP.  
AMERICAN TYPE FOUNDERS, INC.

VANADIUM CORPORATION  
OF AMERICA

420 Lexington Avenue, New York 17

## Dividend Notice

At a meeting of the Board of Directors held today, a dividend of sixty cents per share was declared on the capital stock of the Corporation, payable May 18, 1954, to stockholders of record at 3:30 o'clock p. m., May 7, 1954. Checks will be mailed.

B. O. BRAND, Secretary.  
Dated March 23, 1954.

# Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Slowly and unspectacularly, there is developing a new war surplus problem.

After the last war, the officially declared total of war surplus goods was \$27.2 billion. It took five years to liquidate this surplus. How much the present war surplus problem amounts to is not known, but it is in a range of some \$10 to \$25 billion.

The new war surplus problem is developing with an unique lack of drama and attention, even if it rivals the problem of war surpluses left by World War II.

This unspectacular character has been due to a number of reasons. In the first place, the military was obviously reluctant to give any thinking to the question of what might be surplus over needs, so long as there was active combat in Korea. No matter how old a gun or an airplane or a ship might be, so long as there was the contingent possibility of all-out war, the military folks were not anxious to bust into their warehouses and throw out stuff which in a pinch could be useful.

With the ending of active fighting in Korea there came an insistent demand from the new Defense Department heads under Secretary Charles E. Wilson to tackle earnestly the inventory problem. Probably more progress has been made than before in history under Mr. Wilson to get the military men to thinking in terms of what is a businesslike volume of inventories at all levels.

Another factor is that the military and the General Services Administration had not until recently been able to get together on the outlines of a disposal program.

Finally, the very size of the military inventory has itself been a factor in forcing the defense establishment to come to grips with the problem. According to the House Government Operations Committee, as far back as the fiscal year 1948 the military establishment was occupying 529 million square feet of storage space, 60% of which was permanent, covered depot area. The amount obviously has increased since.

It has come down to the point where the military just must throw stuff wholesale out of its warehouses or go to Congress and ask to build hundreds of millions of square feet additional of warehouses. This is something for which Congress would give no more money at present.

## First Job Is to Make Inventory

The first job is to make an inventory. So as of now the Army, Navy, and Air Force, are surveying each warehouse, cantonment, installation, and so on, and determining exactly what kinds and how much of millions of items of supply are on hand. The next job will be to reach a determination of how much of that is surplus.

After the inventory has been made and the surplus listed, then disposal begins.

Disposal is of two kinds. Items of common use to the government are handled by the General Services Administration. GSA handles the surplus pencils, paper, typewriters,

drinking cups, etc. It first offers these "common use items" to all other Federal agencies.

Idea of this procedure is to prevent one Federal agency from making new, and additional purchases of supplies already bought, paid for, and on hand as surplus acquired by another Federal agency.

First call goes to Federal agencies. What they cannot use is offered next to state and local governmental agencies, hospitals and educational institutions, at a nominal cost. The requests of state and local agencies are transmitted through the Federal Welfare Department.

After Federal and state agencies have taken what they want, any surplus remaining is finally offered to the public, in a public sale.

The second kind of disposal is for items which are not of common use, such as old tanks, ships, guns, or aircraft. In terms of Federal investment, these items will make up the greatest part of the new war surplus problem.

With the old tank or the old gun or the old ship, it is up to the military agency which holds such obsolete or surplus items to sell them as best they can, usually by calling in the scrap dealer.

## Eye Hospital Bill

Now in labor in the Senate Labor Committee is the hospital bill passed by the House. Eventually the Senate committee will give this new bill its approval, perhaps, however, including it in the President's overall medical program rather than reporting it out as a separate bill.

Once upon a time the Federal Government began, some 20 years, to go in buying things on a grand scale which the people could not afford for themselves, like prosperous farm income, ever-rising wages, public buildings, "world peace" and—also hospitals.

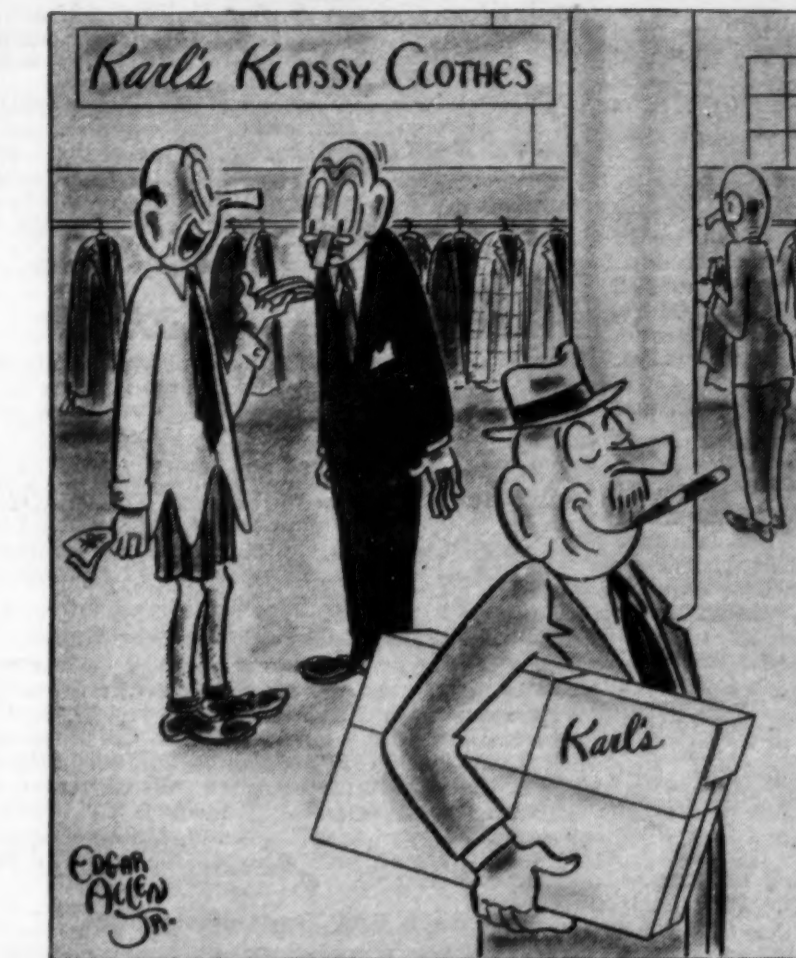
In the process of buying things which the people could not afford for themselves, the Federal Government managed to provide that the tax bite of the Federal Government should rise from \$3 or \$4 billion annually, to \$65 or \$70 billion. In other words, the Federal Government managed to teach the people that they could afford some 10 times as much government, as before this financial tail-chasing began.

Now, according to the President, the cost of medical care is just staggering. Mrs. Olveta Hobby, Welfare Secretary, officially told the Congress that private persons in the United States spent \$9.4 billion in 1952 for their medical care.

Neither Mrs. Hobby nor Mr. Eisenhower, however, propose that the government make it possible for the people to pay for but a tiny share of their own medical care by rebating taxes paid, payable, or due in the future, in order that the government shall not have to help them with medical care. One-seventh of the taxes collected would equal this total private medical bill.

## First Passed in 1946

Instead, it is the Administration's proposal that a range of medical aids shall be provided by government. It is in-



"The only suit he liked was my own—after all, business is business!"

cidental if these further add to the cost of government and take from the people the money they otherwise might spend on their own medical care.

First in the Administration's steps to provide better medical care is the amendment to the 1946 Hospital Survey and Construction Act. Under this act the Federal Government, which cannot pay its bills without more or less continuous additional borrowing, helps out the poor states—most of whom balance their budgets—by giving as grants from one-third to two-thirds of the cost of state and local or "non-profit" hospitals.

This act was first passed in 1946. It provided a three-year or "temporary" authorization of the expenditure of \$75 million annually. The temporary programs, as in the nature of the Welfare State, were inevitably prolonged, and the kitty sweetened. By 1949 the annual authorization had jumped to \$150 million annually.

## Old and Infirm Need Help

It is the peculiar nature of the latest Eisenhower expansion of this program that it is pitched at the chronically ill. In proportion, as the more common diseases are conquered and the longevity of the human American is prolonged, more and more people suffer invalidism from arthritis, heart diseases, and other afflictions more common to older persons.

So Mr. Eisenhower proposed to add \$62 million of annual authorizations. These funds

would provide facilities for diagnosing and treating the chronically ill—diagnostic centers, nursing homes, special hospitals for the chronically ill and "impaired," and centers for rehabilitation of ill persons. This boosts the annual authorization for hospitals to \$312 million.

The Democratic Whip, Rep. John McCormack of Massachusetts, observed with relish during the debate that "I am very glad to note that one of the first bills coming up this session is a bill extending a measure that was passed while the Democrats were in control in a past Congress. I commend my Republican friends for realizing that they cannot depart from the policies of the Democratic Party of the last 20 years."

## Costs \$600 Million

So far the Federal Government has spent or committed itself to spend \$600 million of Federal funds for hospitals, which has or will result in the provision of 106,000 new hospital beds, counting state funds of twice this sum.

In connection with the debate it was estimated officially that there are now or in existence or in process 1,059,816 "acceptable" hospital beds in U. S. hospitals—"acceptable" to the medics according to their standards. On the other hand, present requirements are for 848,678 additional beds.

This hospital bed deficit will rise, of course, not merely as the population increases, but

further as the ratio of older persons in the total population rises.

Nevertheless, the House passed this bill without a dissenting voice. The Speaker did not even consider it necessary to ask for a voice vote. Nobody can vote against hospitals, even if they can't be paid for out of tax revenues within a balanced budget.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capitol and may or may not coincide with the "Chronicle's" own views.]

# Business Man's Bookshelf

**Business Profits—Fact or Fable?**—Business Executives' Research Council of Greater Chicago, in cooperation with Northwestern University—Thomas J. McNichols, School of Commerce, Northwestern University, Evanston, Ill. (paper) \$1.00.

**Do You Need A Lawyer?**—Kathryn Close—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper), 25¢.

**Mutual Savings Bank Directory**—Information and statistics on every mutual savings bank in the United States—National Association of Mutual Savings Banks, 60 East 42nd Street, New York 17, N. Y. (paper), \$1.00.

**Mutual Savings Banking**—Descriptive booklet containing information about mutual savings banks—National Association of Mutual Savings Banks, 60 East 42nd Street, New York 17, N. Y. (paper).

**Social Security**—Paul L. Poirot—The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York (paper) no charge for single copies; quantity prices on request.

**Southern Maryland: A Tobacco Economy**—Bureau of Business and Economic Research, University of Maryland, College Park, Md. (paper).

## Chicago Analysts to Hear

CHICAGO, Ill. — On Thursday, April 8th, William S. Richardson, Executive Vice-President of the B. F. Goodrich Co., will address the luncheon meeting of the Investment Analysts Society of Chicago on the rubber industry and the B. F. Goodrich Co.

On April 22nd, General Foods will be the industry discussed.

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